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STOCK PURCHASE AGREEMENT

BY AND AMONG

REXAM COSMETIC PACKAGING INC.

WALTER NATHAN,

LORAND SPYERS-DURAN,

AND

SUSAN M. SHOLL, AS CUSTODIAN,

NINA SCHROEDER, AS CUSTODIAN,

RICHARD NATHAN, AS CUSTODIAN,

AND

BETSY NATHAN

Dated as of February 8, 1999

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## STOCK PURCHASE AGREEMENT

**STOCK PURCHASE AGREEMENT** (the "Agreement"), dated as of February 8, 1999, among Rexam Cosmetic Packaging Inc., a Delaware corporation ("Purchaser"), Walter Nathan ("Nathan"), and Lorand Spyers-Duran ("Spyers-Duran"; Spyers-Duran, together with Nathan, the "Principal Stockholders"), and the additional stockholders whose names are set forth on the signature page hereto (the "Additional Stockholders", together with the Principal Stockholders, the "Stockholders").

### WITNESSETH:

**WHEREAS**, the Stockholders own in the aggregate all of the issued and outstanding shares of capital stock of Sussex Plastics, Inc., a Wisconsin corporation (the "Company") (collectively, the "Shares"); and

**WHEREAS**, each Stockholder wishes to sell all of the Shares owned by such Stockholder to Purchaser, and Purchaser wishes to purchase all such Shares from such Stockholders, on the terms and conditions and for the consideration described in this Agreement (defined terms having the meanings indicated in Article I);

**WHEREAS**, WHLL Partners, a Wisconsin general partnership (the "Real Property Seller") is the owner of certain land and buildings which are used in the operations of the Company's business which the Real Property Seller has agreed to sell to the Purchaser pursuant to the Real Estate Purchase Agreement, dated as of the date first written above, by and among Purchaser and Real Property Seller;

**NOW, THEREFORE**, in consideration of the mutual promises, covenants, representations and warranties made herein and of the mutual benefits to be derived herefrom, the parties hereto agree as follows:

### **ARTICLE I**

#### DEFINITIONS

For purposes of this Agreement, the following words and phrases have the following meanings:

"Affiliate" of a person or entity means a person or entity that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the first person or entity. "Control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person or entity, whether through the ownership of voting securities, by contract, as trustee or executor, or otherwise. For the purposes of this

Agreement, each of the Principal Stockholders shall be deemed to be an Affiliate of the Company.

"Affiliate Transactions" is defined in Section 4.20.

"Allocation" is defined in Section 6.5(g).

"Applicable Law" means all applicable provisions of all (i) constitutions, treaties, statutes, laws (including, but not limited to, the common law), rules, regulations, ordinances, codes or orders of any Governmental Authority and (ii) orders, decisions, injunctions, judgments, awards and decrees or consents of or agreements with any Governmental Authority.

"Asset Sales Taxes" is defined in Section 6.5(f).

"Assets" means all rights, titles and interests in, to and under all of the properties, assets, rights, claims and contracts of every kind, character and description owned or held by the Company for use in connection with the Business, whether real, personal or mixed, tangible or intangible (including goodwill), and whether now owned or hereafter acquired, including, without limitation, all assets reflected on the December 31 Balance Sheet or utilized in the operations reflected in the December 31 Income Statement, as the same may exist on the Closing Date.

"Business" means the business and activities that have been conducted by the Company during the one (1) year period prior to the date hereof, including without limitation its injection molding cosmetics packaging business and such business and activities as are conducted at any time hereafter to and including the Closing Date.

"CERCLA" means the United States' Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and the rules and regulations promulgated thereunder.

"CERCLIS" means the Comprehensive Environmental Response and Liability Information System, as provided for by 40 C.F.R. §300.5.

"Closing" is defined in Section 2.2.

"Closing Balance Sheet" is defined in Section 3.1(b)(i).

"Closing Date" is defined in Section 2.2.

"Closing Net Worth" means the stockholders' equity of the Company as set forth on the Closing Balance Sheet subject to the terms of Section 3.1(b)(i).

"Code" means the Internal Revenue Code of 1986, as amended.



"Company Benefit Plans" is defined in Section 4.15.

"Consigned Inventory" is defined in Section 4.24.

"Contracts" is defined in Section 4.16.

"Covered Claims" is defined in Section 6.10(b).

"Covered Claims Reserve" is defined in Section 6.10(b).

"December 31 Balance Sheet" is defined in Section 4.6(b).

"December 31 Income Statement" is defined in Section 4.6(b).

"Drawing Condition" is defined in Section 6.9(i).

"Employee Bonuses" means an aggregate of \$1,000,000 which may be distributed to certain key Employees as bonuses (in addition to customary year-end bonuses) prior to Closing pursuant to Section 6.2(b)(i).

"Employees" means, collectively, each individual employed or formerly employed by the Company and the beneficiaries and dependents of such individual.

"Employment Agreement" means the Employment and Non-Competition Agreement dated as of the Closing Date between Company and Lorand Spyers-Duran in the form attached hereto as Exhibit A.

"Employment Taxes" means all Taxes relating to employment, unemployment insurance, social security, disability, workers' compensation, payroll or health care.

"Environmental Laws" means all Laws concerning pollution or protection of the environment, public health and safety, or employee health and safety, including Laws relating to emissions, discharges, releases, or threatened releases of pollutants, contaminants, or chemical, industrial, hazardous, or toxic materials or wastes into ambient air, surface water, groundwater, or lands or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, or chemical, industrial, hazardous, or toxic materials or wastes, including, but not limited to, CERCLA, the United States' Resource Conservation and Recovery Act, as amended, the United States' Clean Air Act, as amended, the United States' Clean Water Act, as amended, the United States' Toxic Substance Control Act, as amended, and the United States' Occupational Safety and Health Act, as amended.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Existing State" is defined in Section 6.9(a).

"Financial Indebtedness" is defined in Section 7.13

"Financial Statements" is defined in Section 4.6(c).

"Governmental Approvals" is defined in Section 4.10.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, but not limited to, any government authority, agency, department, board, commission or instrumentality of the United States, any State of the United States, or any political subdivision thereof, and any tribunal or arbitrator(s) of competent jurisdiction, and any self-regulatory organization.

"Graef" is defined in Section 6.9(a).

"Hazardous Materials" means (1) any petroleum, hazardous or toxic petroleum-derived substances or petroleum products, flammable or explosive materials, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls (PCBs); (2) any chemicals or other materials or substances which are now regulated, classified or defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "pollutant" or "contaminant" or any similar denomination intended to classify substances by reason of toxicity, carcinogenicity, ignitability, corrosivity or reactivity under any Environmental Law; and (3) any other chemical or other material or substance, exposure to which is now prohibited, limited or regulated by any Governmental Authority under any Environmental Law.

"Holdback" is defined in Section 2.2(c).

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Income Taxes" means all Taxes relating to income, profits, gross receipts, net worth or capital.

"Indemnified Party" means any Person claiming indemnification under any provision of Article IX hereof.

"Indemnifying Party" means any Person against whom a claim for indemnification is being asserted under any provision of Article IX hereof.

"Indemnity Claim" is defined in Section 9.9(a).

**"Indemnity Notice"** is defined in Section 9.4(b).

**"Indemnity Response Period"** is defined in Section 9.4(b).

**"Independent Contractor"** means each individual retained or formerly retained by the Company to perform services for or on behalf of the Company as a commissioned sales agent, an independent contractor or independent operator and the beneficiaries and dependents of such individual.

**"Intellectual Property"** means (1) inventions (whether patentable or unpatentable and whether or not reduced to practice), improvements thereto, and patents, patent applications, and patent disclosures, together with reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof, (2) marks, trademarks, service marks, trade dress, logos, trade names, and corporate names, together with translations, adaptations, derivations, and combinations thereof and applications, registrations, and renewals in connection therewith, (3) copyrightable works, copyrights, and applications, registrations and renewals in connection therewith, (4) mask works and applications, registrations and renewals in connection therewith, (5) all trade secrets and confidential business information (including, but not limited to, ideas, research and development, know-how, formulae, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, engineering notebooks, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), (6) Software, (7) industrial designs and applications therefor, and (8) rights under and remedies against infringement of any of the foregoing, and rights to protection of interests in any of the foregoing under the laws of any jurisdiction.

**"Inventory"** of any Person means all inventories of the Company of raw materials, work in process, finished goods, parts, packaging materials and other accessories incorporated therein or attached thereto.

**"Knowledge of Purchaser"** or **"Known to Purchaser"** means the actual or constructive knowledge of any officer, director or any representative of Purchaser. Any of such officers or directors shall be deemed to have constructive knowledge of those facts and circumstances, but only those facts and circumstances, relating to any particular matter that would have been learned through reasonable investigation and due inquiry by such individual.

**"Knowledge of Principal Stockholders"** or **"Known to Principal Stockholders"** means the actual or constructive knowledge of Nathan, Spyers-Duran, Keith Everson or Robert Schlitt, as the case may be. Any of such individuals shall be deemed to have constructive knowledge of those facts and circumstances, but only those facts and circumstances, relating to any particular matter that would have been learned through reasonable investigation and due inquiry by such individual.

**"Law"** means all laws, statutes, rules, regulations, ordinances, Orders and other pronouncements having the effect of law of the United States, any foreign country or any

domestic or foreign state, province, county, city municipality or other political subdivision or of any Governmental Authority, including common law.

"Letter of Credit" is defined in Section 6.9(i).

"Liabilities" means all indebtedness, debt, commitments, obligations and other liabilities of a Person (whether absolute, contingent, fixed or otherwise, whether accrued or unaccrued, whether asserted or unasserted, whether known or unknown, or whether due or to become due).

"Licensed Intellectual Property" is defined in Section 4.13(c).

"Lien" shall mean all debts, claims, security interests, liens, encumbrances, pledges, assessments, restrictions and charges of every nature.

"Losses" means any and all demands, claims, actions, damages, Liabilities, fines, costs, fees, penalties, deficiencies, assessments, losses, amounts paid in settlement, and expenses (including, but not limited to, interest, court costs, fees and expenses of attorneys, accountants and other experts or other expenses of litigation, arbitration or other proceedings).

"Noncompetition Agreement" shall mean the Noncompetition and Confidentiality Agreement dated as of the Closing Date by and among Purchaser and Principal Stockholders in the form attached hereto as Exhibit B.

"Owned Intellectual Property" is defined in Section 4.13(a).

"Permitted Lien" means (i) any Lien for Taxes not yet due or delinquent or being contested in good faith by appropriate proceedings, (ii) any statutory Lien arising in the ordinary course of business by operation of Law with respect to a Liability that is not yet due or delinquent, (iii) any minor imperfection of title which, individually or in the aggregate with other such items, would not have a material adverse effect on the Company or the Real Property, (iv) recorded easements, covenants or other restrictions, (v) municipal and zoning ordinances and (vi) such other matters as are disclosed in the title insurance commitment to be provided by the Real Property Seller, which are not objected to in accordance with the terms of the Real Estate Purchase Agreement.

"Person" means any natural person, corporation, general partnership, limited partnership, proprietorship, limited liability company, joint venture, other business organization, trust, union, association or Governmental Authority.

"Purchase Price" is defined in Section 2.1(a).

"Purchase Price Adjustment" is defined in Section 3.1(b)(ii).

"Purchaser's Deductible" is defined in Section 9.6(b).

**"Purchaser Indemnified Parties" is defined in Section 9.2.**

**"Qualified Company Benefit Plan" is defined in Section 4.15(f).**

**"Real Estate Purchase Agreement" means the Real Estate Purchase Agreement dated as of the date hereof between the Real Property Seller and Purchaser in the form attached hereto as Exhibit C.**

**"Real Property" is defined in Section 4.9(a).**

**"Reimbursement Shortfall" is defined in Section 6.10(b).**

**"Related Agreements" shall include the Noncompetition Agreement and the Employment Agreement.**

**"Section 338(h)(10) Election" is defined in Section 6.5(e).**

**"Software" means all types of computer software programs, including operating systems, application programs, software tools, firmware and software imbedded in equipment, including both object code and source code versions thereof. The term "Software" also includes all written or electronic materials that explain the structure or use of Software or that were used in the development of Software, including logic diagrams, flow charts, procedural diagrams, error reports, manuals and training materials.**

**"Standards" is defined in Section 6.9(b).**

**"State Section 338(h)(10) Proxy Tax" is defined in Section 6.5(e).**

**"Stock Sale Taxes" is defined in Section 6.5(f).**

**"Stockholders Tax Differential" is defined in Section 6.5(f).**

**"338(h)(10) Tax" is defined in Section 6.5(e).**

**"Target Net Worth" means \$10,250,000.**

**"Tax" means any federal, state, local, foreign or other income, alternative, minimum, accumulated earnings, personal holding company, franchise, capital stock, net worth, capital, profits, windfall profits, gross receipts, value added, sales (including, but not limited to, bulk sales), use, goods and services, excise, customs duties, transfer, conveyance, mortgage, registration, stamp, documentary, recording, premium, severance, environmental (including, but not limited to, taxes under section 59A of the Code), real property, personal property, ad valorem, intangibles, rent, occupancy, license, occupational, employment, unemployment insurance, social security, disability, workers' compensation, payroll, health care, withholding, estimated or other similar tax, duty or other governmental charge or assessment or deficiencies**

thereof, including, but not limited to, all interest and penalties thereon and additions thereto whether disputed or not.

"Tax Benefit" is defined in Section 9.9(a).

"Tax Returns" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third Party Claim" is defined in Section 9.4(a).

"Third Party Claim Notice" is defined in Section 9.4(a).

"Third Party Claim Response Period" is defined in Section 9.4(a).

"Treasury Regulations" are the regulations prescribed under the Code.

"WDNR" is defined in Section 6.9(b).

"Year 2000 Compliant" is defined in Section 4.13(d).

## **ARTICLE II SALE AND PURCHASE OF SHARES AND REAL PROPERTY**

### **2.1     Sale and Purchase of the Shares.**

(a) Subject to the terms and conditions hereof, on the Closing Date the Stockholders will sell the Shares to Purchaser, and Purchaser will purchase the Shares from the Stockholders, for an aggregate purchase price of Twenty-Five Million Six Hundred Sixty Thousand Dollars (\$25,660,000.00), subject to adjustment under Section 3.1, which amount, as adjusted is referred to herein as the "Purchase Price").

(b) The Purchase Price, less the Holdback (as defined below) shall be payable at the Closing in the manner set forth in Section 2.3(b), and any adjustment to the Purchase Price shall be payable at the times and in the manner set forth in Section 3.2(b).

### **2.2     Closing.**

The closing of the sale and purchase of the Shares and the Real Property (the "Closing") shall take place at the offices of Moore & Van Allen, NationsBank Corporate Center, 100 N. Tryon Street, Floor 47, Charlotte, North Carolina, at 10:00 a.m. on February 26, 1999 or such other time and date as the parties may agree to in writing (the "Closing Date"). At the Closing:

(a) Each Stockholder will deliver to Purchaser, free and clear of any Liens, one or more certificates representing all of the Shares owned by such Stockholder, duly endorsed in blank or accompanied by stock powers or other instruments of transfer duly executed in blank, and bearing or accompanied by all requisite stock transfer stamps;

(b) Purchaser will pay to each Stockholder the portion of the Purchase Price, less the Holdback, set forth opposite such Stockholder's name on Schedule 2.2(b), by wire transfer of immediately available funds to the account designated by such Stockholder at least three (3) business days prior to the Closing Date;

(c) Purchaser will retain Five Hundred Thousand Dollars (\$500,000) (the "Holdback") as security for the obligations of the Stockholders under Section 3.1(b) hereof until the adjustments to the Purchase Price have been finalized and all liabilities of the Principal Stockholders to the Purchaser thereunder have been satisfied; and

(d) Purchaser will pay to the Real Property Seller the Purchase Price as defined in the Real Estate Purchase Agreement, by wire transfer of immediately available funds to the account designated by the Real Property Seller at least three (3) days prior to the Closing Date.

### **ARTICLE III**

#### **PURCHASE PRICE ADJUSTMENT**

#### **3.1 Adjustment of Purchase Price.**

(a) The Purchase Price will be subject to adjustment, as described in Section 3.1(b).

(b) As soon as practicable after the Closing Date (but in no event later than seventy-five (75) days following the Closing Date), Purchaser will prepare and deliver to the Principal Stockholders a balance sheet of the Company as of the close of business on the business day preceding the Closing Date (the "Closing Balance Sheet"). In connection with the preparation of the Closing Balance Sheet, Purchaser and its authorized representatives, including Purchaser's independent public accountants, will have the right to review the information used in the preparation of the Company's historical financial statements, including, but not limited to, all existing workpapers of the accountants which compiled such statements. The Closing Balance Sheet shall be prepared in accordance with U.S. generally accepted accounting principles ("GAAP") applied consistently with the manner used to prepare the September 30 balance sheet attached hereto as Schedule 3.1(b)(i) and in accordance with the principles and procedures set forth on Schedule 3.1(b)(i) attached hereto.

(ii) Subject to the limitations set forth in Sections 3.1(b)(iii), 3.1(b)(iv) and 3.1(b)(v), within thirty (30) days after the date of receipt by the Principal Stockholders of the Closing Balance Sheet:

(A) If the Closing Net Worth is less than the Target Net Worth, the Principal Stockholders shall jointly and severally pay to Purchaser, as an adjustment to the Purchase Price, an amount equal to the excess of the Target Net Worth over the Closing Net Worth; and

(B) If the Closing Net Worth exceeds the Target Net Worth, Purchaser shall pay to the Stockholders, as an adjustment to the Purchase Price, an amount equal to the excess of the Closing Net Worth over the Target Net Worth.

The amount payable by the Principal Stockholders, on the one hand, or Purchaser, on the other, as the case may be, pursuant to this Section 3.1(b)(ii) shall be referred to hereinafter as the "Purchase Price Adjustment".

(iii) Subject to Section 3.1(b)(iv), the Closing Balance Sheet delivered by Purchaser to the Principal Stockholders shall be final, binding and conclusive on the parties hereto.

(iv) The Principal Stockholders will have the right, with their independent public accountant, to review the information used in the preparation of the Closing Balance Sheet and the review thereof, including work papers, and to discuss such information and the preparation and review thereof with the personnel of Purchaser and its accountants responsible therefor. In the event the Principal Stockholders disagree with the Closing Balance Sheet, the Principal Stockholders shall, within thirty (30) days after receipt thereof, give Purchaser notice of such disagreement specifying the items on the Closing Balance Sheet in dispute and setting forth the Principal Stockholders' proposed adjustments. If the parties and their respective accountants are unable to agree on a resolution within thirty (30) days after delivery of such Principal Stockholder's notice of disagreement, then the parties will submit such dispute to the Milwaukee office of Arthur Andersen LLP ("Arthur"), certified public accountants. Arthur shall, within thirty (30) days after such submission, determine and report to the parties upon such disputed items and such report shall be final, binding and conclusive on the parties with respect to such items. The fees, expenses and costs of Arthur for the services described herein shall be shared equally among the Principal Stockholders, on the one hand, and Purchaser, on the other.

(v) Payment of the Purchase Price Adjustment shall be delayed until the final resolution of all disputes as provided in this Section 3.1, upon which event such payment shall be made by the Principal Stockholders or Purchaser, as applicable, within five (5) days thereafter, together with interest on the amount then due to be paid at the rate of



seven percent (7%) per annum from the Closing Date until the date upon which such amount is paid hereunder. Any amounts paid from the amount held by Purchaser as the Holdback shall bear interest in accordance with the terms hereof.

(vi) In the event any Purchase Price Adjustment is payable by Purchaser upon the final determination of the Closing Balance Sheet pursuant to the terms hereof, the entire amount of the Holdback shall be promptly paid to the Stockholders. In the event that any Purchase Price Adjustment is payable by the Principal Stockholders, the amount held by Purchaser as the Holdback shall first be applied by Purchaser to the extent of such Purchase Price Adjustment and the balance, if any, remitted to the Stockholders. Nothing contained herein shall terminate the obligations of the Principal Stockholders and the Purchaser to pay the full amount of any Purchase Price Adjustment as provided in Section 3.1(b)(v).

#### **ARTICLE IV**

#### **REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS**

The Principal Stockholders, jointly and severally, and the Additional Stockholders severally only with respect to Sections 4.3 and 4.4(a), make the following representations and warranties to Purchaser which shall survive the Closing of the transactions contemplated herein as provided in Section 9.5 hereof:

##### **4.1 Organization, Good Standing and Authority of the Company.**

The Company is duly organized, validly existing and in good standing under the laws of the State of Wisconsin. The Company has full corporate power and authority to carry on its business as now conducted and to carry out all of its obligations. The Company is duly qualified to do business as a foreign corporation in the jurisdictions set forth in Schedule 4.1, which are all the jurisdictions where the character of the properties it owns, leases or operates, or the conduct of the Business, requires such qualification, other than in any jurisdiction where the failure to so qualify would not have a material adverse effect on the Company. The Company has full corporate power and authority to own the properties and assets owned by it, to lease the properties and assets held by it under lease, to carry on the operation of the Business as it is now being conducted, and to operate the Business as heretofore operated.

##### **4.2 Articles of Incorporation; By-Laws; Minute Books.**

True and complete copies of the Articles of Incorporation and By-Laws of the Company, as amended to and including the date hereof, have been delivered to Purchaser. The Company is not in violation of any provision of its Articles of Incorporation or by-laws. The minute books, stock books and stock transfer records of the Company, true and complete copies of which have been made available to Purchaser, contain true and complete minutes and records of all issuances and transfers of capital stock of the Company and of all minutes and records of

all meetings, consents, proceedings and other actions of the shareholders, board of directors and committees of the board of directors of the Company from the date of incorporation of the Company to and including the date hereof.

#### **4.3 Due Authorization, Execution and Delivery.**

Each Stockholder has full authority to execute and deliver this Agreement and all Related Agreements, to perform his or her obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby, and each Stockholder has duly executed and delivered this Agreement and all Related Agreements. This Agreement and all Related Agreements will constitute, when so executed and delivered, the legal, valid and binding obligations of each Stockholder enforceable against each such Stockholder in accordance with their respective terms, except that such enforcement (i) may be limited by bankruptcy, insolvency, moratorium or similar laws affecting contract or creditors' rights generally, and (ii) is subject to the availability of equitable remedies, as determined in the discretion of the court before which such a proceeding may be brought.

#### **4.4 Title to Shares; Capitalization; etc.**

(a) Title. The Stockholders own in the aggregate, beneficially and of record, all of the Shares, free and clear of any Liens as shown on Schedule 4.4(a). The Shares constitute 100% of the outstanding capital stock and securities of the Company. Upon the delivery of and payment for the Shares at the Closing as provided for in this Agreement, Purchaser will acquire good and valid title to all the Shares, free and clear of any Lien other than any Lien arising by any action taken by Purchaser, other than the purchase of the Shares.

(b) Authorized Capital Stock of the Company. The authorized capital stock of the Company consists of Forty Five Thousand (45,000) shares of Class A common stock, par value, One Dollar (\$1.00) per share, ninety-four hundred (9,400) of which are issued and outstanding, and Five Thousand (5,000) shares of Class B common stock, par value One Dollar (\$1.00) per share, no shares of which are issued and outstanding. The Shares have been duly authorized and validly issued and are fully paid and nonassessable.

(c) No Equity Rights. The Stockholders have preemptive rights to purchase their pro-rata share of any shares of capital stock issued by the Company. Except as set forth in Schedule 4.4(c), there are no subscriptions, options, warrants, conversion or other rights, agreements, commitments, arrangements or understandings of any kind obligating the Company, any Stockholder or any other person or entity, contingently or otherwise, to issue or sell, or cause to be issued or sold, any shares of capital stock of the Company, or any securities convertible into or exchangeable for any such shares, and no authorization therefor has been given. Except as set forth in Schedule 4.4(c), there are no outstanding contractual or other rights or obligations to or of the Company, any Stockholder or any

other person or entity to repurchase, redeem or otherwise acquire any outstanding shares or other equity interests of the Company.

#### **4.5 Subsidiaries.**

The Company does not own, directly or indirectly, any shares of capital stock or other equity interest (or any other interest convertible into an equity interest) in any corporation, partnership, joint venture, association or other entity, and has no commitment to contribute to the capital of, make loans to, or share in the losses of, any enterprise.

#### **4.6 Financial Statements.**

(a) Schedule 4.6(a) contains copies of the Company's financial statements (including year end balance sheets and annual statements of income, statements of stockholders' equity and statements of cash flows) for each of the three fiscal years ended December 31, 1995 through 1997, each of which has been audited by Schuman Simon & Grodecki, Ltd., independent certified public accountants.

(b) Unaudited financial statements of the Company containing balance sheets at December 31, 1998 (the "December 31 Balance Sheet"), and statements of income for the twelve (12) month period from January 1, 1998 to December 31, 1998 (the "December 31 Income Statement") are contained on Schedule 4.6(b).

(c) The financial statements referred to in Section 4.6(a) and (b) (collectively, the "Financial Statements") are true and complete in all material respects with respect to each item therein, and have been and will be prepared in accordance with GAAP applied on a consistent basis from period to period except that the unaudited interim financial statements are subject to normal year end audit adjustments and do not contain footnotes. The Financial Statements fairly present the financial condition of the Company at the respective dates thereof and the results of operations and cash flows of the Company for the periods then ended.

(d) The Company does not have any liabilities or obligations of any nature, whether known, unknown, absolute, accrued, contingent or otherwise and whether due or to become due, except (a) as set forth in Schedule 4.6(d), (b) as and to the extent disclosed on, or reserved for in the December 31 Balance Sheet and (c) for liabilities and obligations that are (i) incurred after December 31, 1998, in the ordinary course of the Business and are not prohibited by this Agreement and (ii) individually and in the aggregate would not have or result in a material adverse effect on the Business.

(e) Except as set forth on Schedule 4.6(e), all Liabilities of the Company for borrowed money and for any other type of financing, including without limitation lease financing and purchase money financing, shall have been paid in full and terminated prior to the Closing Date.

#### **4.7 Absence of Certain Changes.**

Except as set forth in Schedule 4.7 and as expressly permitted by this Agreement, since December 31, 1997, there has not been any material adverse change in the Assets, Business, liabilities or condition, financial or otherwise, of the Company. Without limiting the foregoing, since December 31, 1997, the Company has not: (i) purchased, sold or leased, or agreed to purchase, sell or lease, any material asset the purchase or sale price of which, on a per asset or expenditure basis, exceeds \$100,000, except for purchases and sales of inventory in the ordinary course of business or as otherwise set forth on Schedule 4.7; (ii) granted or committed to grant any bonus, commission or other form of incentive compensation or increased or committed to increase the compensation or fees payable to or in respect of any Employee, director, officer, sales representative, Independent Contractor, agent, consultant or Affiliate of the Company, except for customary bonuses and regular salary increases made in the ordinary course of business, consistent with the past practice of the Company and except for the Employee Bonuses; (iii) entered into, committed to, adopted or amended any employment, consulting, retention, change-in-control, collective bargaining, bonus or other incentive compensation, profit-sharing, health or other welfare, stock option or other equity, pension, retirement, vacation, severance, deferred compensation or other employment, compensation or benefit plan, policy, agreement, trust, fund or arrangement for the benefit of any Employee, officer, director, sales representative, Independent Contractor, agent, consultant or Affiliate of the Company (whether or not legally binding); (iv) made any loans to any individuals, firms, corporations or other entities; (v) written off any receivables; (vi) declared, made, set aside or paid any dividend, distribution, or payment on, or any purchase or redemption of, any shares of any class of its capital stock, or made any commitment therefor; (vii) issued or sold any shares of any class of its capital stock, or any securities convertible into or exchangeable for any such shares; (viii) made any material change (for book or Tax purposes) in any method of accounting or accounting practice; (ix) entered into any transaction not in the ordinary course of business; or (x) agreed to do any of the foregoing.

#### **4.8 Consents; No Conflict.**

Except as set forth in Schedule 4.8 and for applicable requirements of the HSR Act (a) neither the Company nor any of the Stockholders is required to obtain the consent, authorization or approval of, or to submit any notice, report or other filing with, any Governmental Authority or other third party or to obtain any permit, license or franchise as a condition to the consummation of this Agreement and the Related Agreements by the Stockholders, which, if not obtained, would have a material adverse effect on the Assets, Business, or the consummation of the transactions contemplated by this Agreement and (b) the execution and delivery of this Agreement and the Related Agreements by the Stockholders and the consummation of the transactions contemplated hereby will not conflict with, result in the termination of, contravene or constitute a default under, or be an event which with the giving of notice or passage of time or both will become a default under, or give to others any rights of termination or cancellation of, or accelerate the performance required by or maturity of, or result in the creation of any Lien or loss of any rights with respect to the Assets or Business pursuant to any of the terms, conditions or

provisions of or under, any Applicable Law, the articles of incorporation or by-laws of the Company, or under any indenture, mortgage, deed of trust, note, bond, franchise, lease, contract, agreement, or other instrument binding upon the Stockholders or the Company, or to which the property of the Company or the Business is subject, including, without limitation, any of the Contracts (as defined in Section 4.16).

#### **4.9 Real and Personal Property of the Company.**

(a) Schedule 4.9(a) lists all real property owned or leased or held for use by the Company ("Real Property") and contains (i) a legal description of each parcel of real property owned by the Company, including a summary description of the buildings, structures and improvements thereon and (ii) a true and correct copy of each lease of real property to which the Company is a party.

(b) Schedule 4.9(b) contains a list of all equipment and other personal property leased by the Company. A complete and correct copy of each such lease has previously been provided to the Purchaser.

(c) The Company is the owner of, and has good and marketable title to, all of the Assets, free and clear of all Liens, except as set forth on Schedule 4.9(c). The Assets include, without limitation, all assets, properties and rights of the Company shown or reflected on the December 31 Balance Sheet or acquired by the Company since December 31, 1998, except only for (i) cash expended and (ii) inventories and other assets sold and receivables collected in the ordinary course of business since December 31, 1998. The improvements located on the Real Property are in good condition and in good repair, ordinary wear and tear excepted, and there are no capital repairs or deferred maintenance to be performed on the Real Property. The Company has maintained all tangible Assets material to the Business in good repair, working order and operating condition, subject only to ordinary wear and tear, and all such tangible Assets are fully adequate and suitable for the purposes for which they are presently being used.

(d) With respect to each lease of real or personal property listed in Schedules 4.9(a) and (b), (i) the lease is valid, binding and in full force and effect, (ii) all accrued and payable rents have been paid, (iii) the Company is in peaceable possession of the real property or personal property which is subject thereto and (iv) neither the Company, nor to the Knowledge of Principal Stockholders, the lessor thereof, is in default of any material provision thereof, and to the Knowledge of Principal Stockholders, no event that with the giving of notice, the lapse of time or the happening of any further event would become a default, has occurred under any such lease.

(e) Except as set forth on Schedule 4.9(e), the Company, pursuant to the lease described in Schedule 4.9(a), has all easements, rights-of-way and similar authorizations required for the use of the real property leased by the Company in the conduct of the Business, as heretofore conducted, excluding immaterial easements, rights-of-way or

similar authorizations. Neither the whole nor any portion of any real property occupied by the Company has been condemned or otherwise taken by any public authority, and the Company has no notice that any such condemnation or taking is threatened or contemplated.

(f) (i) To the Knowledge of Principal Stockholders and except as set forth in Schedule 4.9(f), neither the properties owned or occupied by the Company nor the occupancy or operation thereof is in violation of any law or any building, zoning or other ordinance, code or regulation; (ii) no notice from any governmental body has been served upon the Company or upon any property owned or occupied by the Company claiming any material violation of any such law, ordinance, code or regulation or requiring, or calling to the attention of the Company the need for, any work, repair, construction, alterations or installation on or in connection with any such properties which has not been complied with; and (iii) there is no encroachment of the improvements located on the real property owned or occupied by the Company upon any adjoining property, or of improvements located on any adjoining property upon any property owned or occupied by the Company.

(g) During the three year period prior to the date hereof there has occurred no damage or destruction to any of the Real Property which would have a material adverse effect on the Company or the Real Property.

#### **4.10 Governmental Approvals and Authorizations and Compliance with Laws.**

Except as set forth in Schedule 4.10 and except for the requirements of the HSR Act, all material approvals, permits, qualifications, authorizations, licenses, franchises, consents, orders, registrations or other approvals (collectively, the "Governmental Approvals") of all Governmental Authorities which are necessary in order to permit the Company to carry on the Business on the Real Property or for the lawful consummation by the Stockholders of this Agreement and the Related Agreements have been obtained and are in full force and effect except where the failure to have such Governmental Approval would not have a material adverse effect on the Company. Each of the Governmental Approvals is listed on Schedule 4.10. To the Knowledge of Principal Stockholders, there has been no violation, cancellation, suspension, revocation or default of any Governmental Approval or any notice of violation, cancellation, suspension, revocation, default or dispute affecting any Governmental Approval, and assuming compliance with the HSR Act, no basis exists for any such action, including, without limitation, as a result of the consummation of the transactions contemplated by this Agreement. Except as set forth on Schedule 4.10, (i) the Company is not in conflict with or in violation or breach of or default under (and there exists no event that, with notice or passage of time or both, would constitute a conflict, violation, breach or default with, of or under) (x) to the Knowledge of Principal Stockholders, any Applicable Law or (y) any provision of its organizational documents and (ii) the Company has not received any written notice, or to the Knowledge of Principal Stockholders, any other notice, alleging any such conflict, violation, breach or default.

Notwithstanding anything to the contrary contained in this Section 4.10, all representations dealing with environmental matters are covered by Section 4.22 and the Schedules provided thereunder and are not covered by the representations in this Section 4.10.

#### **4.11 Tax Matters.**

(a) Except as set forth on Schedule 4.11(a), (i) the Company has duly and timely filed all Tax Returns that it was required to file, (ii) all such Tax Returns were correct and complete in all material respects, and (iii) the Company is not currently the beneficiary of any extension of time within which to file any Tax Return.

(b) Except as set forth on Schedule 4.11(b), (i) all Taxes that are or may become payable by the Company, or chargeable as a Lien upon the Shares or the Company's assets (whether or not shown on any Tax Return) as of the Closing Date have been duly and timely paid, and (ii) the Company has complied in all material respects with Applicable Law relating to the reporting, payment and withholding of Taxes in connection with amounts paid to its employees, creditors, independent contractors or other third parties and have, within the time and in the manner prescribed by law, withheld from such amounts and timely paid over to the proper Governmental Authorities all such amounts required to be so withheld and paid over under Applicable Law.

(c) Schedule 4.11(c) lists all countries, states, cities or other jurisdictions in which the Company is currently subject to any obligation to file Income Tax Returns or to collect sales or use Taxes.

(d) Except as set forth on Schedule 4.11(d), (i) in the five-year period ended December 31, 1997 to the date hereof, no claim (other than a claim that has been finally settled) has ever been made by a Governmental Authority in a jurisdiction where the Company does not file Tax Returns or pay or collect Taxes in respect of a particular type of Tax imposed by that jurisdiction that the Company is or may be subject to an obligation to file Tax Returns or pay or collect Taxes in respect of such Tax in that jurisdiction and (ii) there has been no claim or issue (other than a claim or issue that has been finally settled) concerning any liability for Taxes of the Company either (A) asserted, raised or threatened by any Governmental Authority in writing or (B) as to which the Principal Stockholders or any of the directors or officers (or any employee responsible for Tax matters) of the Company has knowledge.

(e) Schedule 4.11(e) (i) lists Tax Returns that have been audited since December 31, 1993, and (ii) lists any such Returns that are currently the subject of audit.

(f) Except as set forth on Schedule 4.11(f), the Company and the Stockholders have not (i) waived any statute of limitations, (ii) agreed to any extension of the period for assessment or collection or (iii) executed or filed any power of attorney

with respect to any Taxes, which waiver, agreement or power of attorney is currently in force.

(g) Schedule 4.11(g) lists (i) all countries, states, cities or other jurisdictions in which the Company is a beneficiary of any real or personal property Tax exemptions or concessions, reduced rates or Tax credits, (ii) the annual dollar benefit of each such item and (iii) the terms of the expiration or phase-out of each such item.

(h) The Company has not filed a consent under section 341(f) of the Code concerning collapsible corporations and there are no outstanding adjustments for Income Tax purposes applicable to the Company required as a result of changes in methods of accounting effected on or before the Closing Date.

(i) The Company has delivered to Purchaser correct and complete copies of all federal Income Tax Returns, examination reports and statements of deficiencies filed by or against, assessed against or agreed to by the Company for taxable periods ending on or after December 31, 1993.

(j) The Company is not a party to or bound by or does not have any obligation under any Tax allocation, sharing, indemnity or similar agreement or arrangement, and the Company (A) is not and has not been a member of any group of companies filing a consolidated, combined or unitary Income Tax Return and (B) does not have any liability for the Taxes of any person under section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or foreign law) as a transferee, successor, indemnitor or guarantor; by contract or otherwise.

(k) Purchaser will not be required to deduct and withhold any amount with respect to Taxes upon the transfer of the Shares to the Purchaser.

#### **4.12 Litigation.**

Except as set forth in Schedule 4.12, there is no suit, equitable or legal, condemnation, eminent domain, administrative, arbitration or other proceeding pending, or, to the Knowledge of Principal Stockholders, threatened, against or affecting the Company, any of the Assets, the Real Property or the Business or the transactions contemplated hereunder. Schedule 4.12 also provides a description of any suit, equitable or legal, condemnation, eminent domain, administrative, arbitration or other proceeding to which the Company or the Principal Stockholders has been a party during the three year period prior to the Closing Date which involved an amount in excess of One Hundred Thousand Dollars (\$100,000.00) or which was otherwise material to the Company, the Business, the Assets or the Real Property.



#### 4.13 Intellectual Property.

(a) The Company owns all of its Intellectual Property ("Owned Intellectual Property") free and clear of all Liens, except for Licensed Intellectual Property as defined in Section 4.13(c). Except for the Owned Intellectual Property or Licensed Intellectual Property (as defined below) there is no Intellectual Property used in connection with the operation of the Business. The Company has not (i) to the Knowledge of Principal Stockholders, infringed upon or (ii) received notice of any claim of infringement by the Company of, or conflict by the Company with, any Intellectual Property of any Person. None of the Owned Intellectual Property is subject to any outstanding order, ruling, decree, judgment or stipulation by or with any court, arbitrator or administrative agency.

(b) Schedule 4.13(b) identifies each patent or registration which has been issued to the Company with respect to any of its Owned Intellectual Property and identifies each pending application or application for registration which the Company has made with respect to any intellectual property. The Principal Stockholders have delivered to Purchaser correct and complete copies of all such patents, registrations, applications, licenses, agreements and permissions which relate to the Owned Intellectual Property.

(c) Intellectual Property from Others. Schedule 4.13(c) identifies each item of Intellectual Property that any third Person owns and that the Company uses pursuant to license, sublicense, agreement or similar Contract or permission (the "Licensed Intellectual Property"). The Principal Stockholders have caused the Company to deliver to Purchaser correct and complete copies of all such licenses, sublicenses, agreements, or similar Contracts and permissions (in each case, as amended to date). With respect to each item of Licensed Intellectual Property required to be identified in Schedule 4.13(c):

(i) the license, sublicense, agreement, or similar Contract or permission covering the item is legal, valid, binding, enforceable, and in full force and effect insofar as it concerns the Company, and to the Knowledge of Principal Stockholders, the license, sublicense, agreement or similar Contract or permission covering the item is legal, valid, binding, enforceable and in full force and effect insofar as it concerns the other party;

(ii) no approval or consent from the other party to the license, sublicense, agreement, or similar Contract or permission is necessary in order to consummate the transactions contemplated by this Agreement and the Related Agreements; and

(iii) the Company is not in breach or default under any license, sublicense, agreement, or similar Contract or permission nor, to the knowledge of Principal Stockholders, is any other party to the license, sublicense, agreement, or similar Contract or permission in breach or default thereunder, and, to the

knowledge of Principal Stockholders, no event has occurred which, with notice or lapse of time or both, would constitute a breach or default or permit termination, modification, or acceleration thereunder.

(d) Year 2000 Compliance. To the Knowledge of Principal Stockholders, the Owned Intellectual Property and Licensed Intellectual Property are fully Year 2000 Compliant and will not cease to be fully Year 2000 Compliant at any time prior to, during or after the calendar year 2000. For the purposes of this Agreement, "Year 2000 Compliant" means that neither the performance nor the functionality of any Owned Intellectual Property or Licensed Intellectual Property is or will be affected by dates prior to, during or after the calendar year 2000 AD and in particular (but without limitation):

(i) such Intellectual Property accurately receives, provides and processes, and will accurately receive, provide and process, date/time data (including, but not limited to, calculating, comparing and sequencing) from, into and between the twentieth and twenty-first centuries, including, but not limited to, calendar years 1999 and 2000;

(ii) such Intellectual Property will not malfunction, cease to function, provide invalid or incorrect results or cause any interruption in the operation of the Business of the Company as a result of any date/time data;

(iii) date-based functionality behaves and will continue to behave consistently for dates prior to, during and after the year 2000;

(iv) in all interfaces and data storage, the century in any date is and will be specified either explicitly or by unambiguous algorithms or inferencing rules; and

(v) the year 2000 is and will be recognized as a leap year.

#### **4.14 Employees, Labor Matters, etc.**

(a) Except as set forth on Schedule 4.14(a), the Company is not a party to or bound by any collective bargaining or other labor agreement, and to the Knowledge of Principal Stockholders, there are no labor unions or other organizations representing, purporting to represent or attempting to represent any Employees employed by any member of the Company. Complete and correct copies of each collective bargaining or other labor agreement have been previously provided to the Purchaser. Since December 31, 1995, there has not occurred or been threatened any material strike, slowdown, picketing, work stoppage, concerted refusal to work overtime or other similar labor activity with respect to any employees of the Company. Except as set forth on Schedule 4.14(a), there are no labor disputes currently subject to any grievance procedure, arbitration or litigation and there is no representation petition pending or, to the

Knowledge of Principal Stockholders, threatened with respect to any employee of the Company. To the Knowledge of Principal Stockholders, the Company has complied with all Applicable Laws pertaining to the employment or termination of employment of its employees, including, without limitation, all such Applicable Laws relating to labor relations, equal employment opportunities, fair employment practices, prohibited discrimination or distinction and other similar employment activities, except for any failure so to comply that, individually and in the aggregate, could not reasonably be expected to result in any material liability or obligation on the part of the Company or the Business, or following the Closing, Purchaser or any of its Affiliates.

(b) Schedule 4.14(b) sets forth the following information, as of immediately prior to the date hereof (including, but not limited to, each such person on leave), for Employees of the Company: employee name, job title, facility at which employed, hourly rate, annual compensation, hire date, commission arrangement, other incentives and total compensation.

(c) Except as set forth in Schedule 4.14(c), each officer and Employee of the Company is terminable at the will of the Company. Schedule 4.14(c), under separate heading sets forth any limitations to termination on the Company and also describes each Contract to which the Company is a party, or is otherwise bound, that relates to any employment, severance, change of control, consulting, commission, agency or representative arrangement, including, but not limited to, all Contracts and commitments relating to wages, hours, severance, retirement benefits or annuities, or other terms or conditions of employment (other than employment arrangements terminable at will without payment of any contractual severance or other amount).

#### **4.15 Employee Benefits.**

(a) Definition of Benefit Plans. For purposes of this Agreement, the term "Company Benefit Plan" means any plan, program, arrangement, fund, policy, practice, or contract which, through which or under which the Company or a Company ERISA Affiliate (as hereinafter defined) provides benefits or compensation to or on behalf of employees, Affiliate Employees, former employees, or independent contractors of the Company or a Company ERISA Affiliate (as hereinafter defined), whether formal or informal, whether or not written, including, but not limited to, the following:

(i) Arrangements - any bonus, incentive compensation, stock option, deferred compensation, commission, severance pay, golden parachute, or other compensation plan or rabbi trust;

(ii) ERISA Plans - any "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), including, but not limited to, any "multiemployer plan" (as defined in Section 3(37) and Section 4001(a)(3) of ERISA), defined benefit plan,

profit sharing plan, money purchase pension plan, 401(k) plan, savings or thrift plan, stock bonus plan, employee stock ownership plan, or any plan, fund, program, arrangement, or practice providing for medical (including post-retirement medical), hospitalization, accident, sickness, disability, or life insurance benefits; and

(iii) Other Employee Fringe Benefits - any stock purchase, vacation, scholarship, day care, prepaid legal services, dependent care, or other fringe benefit plans, programs, arrangements, contracts, or practices.

(b) Company ERISA Affiliate. For purposes of this Agreement, the term "Company ERISA Affiliate" means each trade or business (whether or not incorporated) which, together with the Company, is treated as a single employer under Section 414(b), (c), (m), or (o) of the Code.

(c) Identification of Company Benefit Plans. Except for (i) the Company Benefit Plans which have been terminated and with respect to which neither the Company nor any Company ERISA Affiliate has any financial, administrative, or other Liability, obligation, or responsibility, or (ii) the Company Benefit Plans set forth in Schedule 4.15(c), the Company does not maintain, nor have they at any time established or maintained, nor have they at any time been obligated to make, or otherwise made, contributions to or under or otherwise participated in any Company Benefit Plan.

(d) No Certain Types of Plans. Except as described in Schedule 4.15(d), neither the Company nor any Company ERISA Affiliate maintains, nor has at any time established or maintained, nor has at any time been obligated to make, or made, contributions to or under (i) any "multiemployer plan" (as defined in Sections 3(37) or 4001(a)(3) of ERISA) or "multiple employer plan" (within the meaning of Section 4064(a) of ERISA); (ii) any defined benefit pension plan or money purchase pension plan subject to Title IV of ERISA; (iii) any plan which provides post-retirement medical or health benefits with respect to employees of the Company (other than to the extent necessary to comply with Sections 601-609 of ERISA and Section 4980B of the Code); (iv) any organization described in Sections 501(c)(9) or 501(c)(20) of the Code; or (v) any plan which provides retirement benefits in excess of the limitations in Sections 401(a)(17), 401(k), 401(m), 402(g), or 415 of the Code. There is no Lien upon any Asset of the Company or any Company ERISA Affiliate outstanding pursuant to Section 412(n) of the Code in favor of any Company Benefit Plan. No Asset of the Company or any Company ERISA Affiliate has been provided as security for any Company Benefit Plan pursuant to Section 401(a)(29) of the Code.

(e) Documentation. The Company has made available to Purchaser a true and complete copy of the following documents, if applicable, with respect to each Company Benefit Plan identified in Schedule 4.15(c): (i) all documents, including any insurance

Contracts and trust agreements, setting forth the terms of the Company Benefit Plan, or, if there are no such documents evidencing the Company Benefit Plan, a full description of the Company Benefit Plan, (ii) the ERISA summary plan description and any other summary of plan provisions provided to participants or beneficiaries for each such Company Benefit Plan, (iii) the annual reports (Form 5500 series) filed for the most recent three plan years and most recent financial statements or periodic accounting of related plan assets with respect to each Company Benefit Plan, (iv) the most recent favorable determination letter, opinion, or ruling from the IRS for each Company Benefit Plan, the assets of which are held in trust, to the effect that such trust is exempt from federal income tax, and (v) each opinion or ruling from the IRS, Department of Labor, or the Pension Benefit Guaranty Corporation ("PBGC") with respect to such Company Benefit Plans. The Company has made available to Purchaser such other information concerning the Company Benefit Plans as requested by Purchaser, including, but not limited to, information concerning the level of claims made, pending, and paid under each welfare benefit plan over the past five (5) years.

(f) Qualified Status. Each Company Benefit Plan that is intended to be qualified under Section 401(a) of the Code, and related trust that is intended to be tax-exempt under Section 501(a) of the Code, has received a favorable determination letter from the IRS to the effect that such plan is qualified under the Code and such trust is tax-exempt ("Qualified Company Benefit Plan"). Any such determination letter remains in effect and has not been revoked. Each such Qualified Company Benefit Plan currently complies in form with the requirements under Section 401(a) of the Code, other than changes required by statutes, regulations, and rulings for which amendments are not yet required. Each such Qualified Company Benefit Plan has been administered in all material respects according to its terms (except for those terms which are inconsistent with the changes required by statutes, regulations, and ruling for which changes are not yet required to be made, in which case such plans have been administered in all material aspects in accordance with the provisions of those statutes, regulations, and rulings) and in accordance with the requirements of Section 401(a) of the Code.

(g) Compliance. Each Company Benefit Plan maintained by the Company or a Company ERISA Affiliate has at all times been maintained, by its terms and in operation, in accordance with all applicable Laws in all material respects, including (to the extent applicable) Code Section 4980B. Further, there has been no failure to comply with applicable ERISA or other requirements concerning the filing of reports, documents, and notices with the Secretary of Labor and Secretary of Treasury or the furnishing of such documents to participants or beneficiaries that could subject any Company Benefit Plan, the Company, any Company ERISA Affiliate, Purchaser, or any of Purchaser's Affiliates to any material civil or any criminal sanction.

(h) Legal Actions. There are no actions, audits, suits, or claims which are pending or, to the Knowledge of Principal Stockholders, threatened against any Company

Benefit Plan, any fiduciary of any of Company Benefit Plans with respect to the Company Benefit Plans, or against the assets of any of the Company Benefit Plans, except claims for benefits made in the ordinary course of the operation of such Company Benefit Plans.

(i) Funding. The Company and each Company ERISA Affiliate have made full and timely payment of all amounts required to be contributed under the terms of each Company Benefit Plan and applicable Law or required to be paid as expenses under such Company Benefit Plan, and no excise Taxes are assessable as a result of any nondeductible or other contributions made or not made to a Company Benefit Plan. The assets of all Company Benefit Plans which are required under applicable laws to be held in trust are in fact held in trust. The liabilities of each other plan are properly and accurately reported on the Financial Statements and records of the Company, if required to be reported by generally accepted accounting principles. The assets of each Company Benefit Plan are reported at their fair market value on the books and records of each plan.

(j) Liabilities. Neither the Company nor any Company ERISA Affiliate is subject to any liability, Tax, or penalty whatsoever to any person whomsoever as a result of the Company or any Company ERISA Affiliate's engaging in a prohibited transaction under ERISA or the Code, and, to the Knowledge of Principal Stockholders, no circumstances exist which reasonably might result in any such liability, Tax, or penalty as a result of a breach of fiduciary duty under ERISA. The termination of or withdrawal from any Company Benefit Plan maintained by the Company or a Company ERISA Affiliate which is subject to Title IV of ERISA or any other Company Benefit Plan (other than any Company Benefit Plan that includes a cash or deferred arrangement under Section 401(k) of the Code) immediately after the Closing Date will not subject Purchaser or any of its Affiliates to any additional contribution requirement or to any other liability, Tax, or penalty whatsoever (excluding any liability, Tax, or penalty attributable solely to the fact that such termination or withdrawal would violate the permanency requirement of Section 401(a) of the Code or cause an excise Tax under Code Section 4980). Neither the Company nor any Company ERISA Affiliate has any obligation to any retired or former employee, or any current employee upon retirement, under any Company Benefit Plan aside from the payment when due of any vested accrued benefits thereunder.

(k) Amendment/New Plans. Absent the express written consent of Purchaser, from the date of this Agreement to the Closing Date, no amendment shall be made to any Company Benefit Plan, no commitment shall be made to amend any Company Benefit Plan, and no commitment shall be made to continue any Company Benefit Plan or to adopt any new Company Benefit Plan for the benefit of any Employees of the Company.

(l) No Acceleration of Liability Under Benefit Plans. Neither execution nor consummation of the transactions contemplated by this Agreement or the Related

Agreements will create, accelerate, or increase any liability, obligation, or right under any Company Benefit Plan.

**4.16 Contracts.**

(a) Schedule 4.16 contains a list of all of the following contracts, agreements and leases (except leases described on Schedules 4.9(a) and 4.a(b)) or commitments therefor to which the Company is a party (such contracts, agreements, leases and commitments so listed on Schedule 4.16, are collectively, "Contracts"):

- (i) mortgages, indentures, security agreements and other agreements and instruments relating to the borrowing of money, or any extension of credit or which impose any Lien on any of the Assets;
- (ii) leases of tractors, trailers, panel trucks, equipment or any other real or personal property, including those equipment leases in which the lessor provides or arranges for driving services;
- (iii) agreements involving the bailment of equipment or any other real or personal property;
- (iv) employment, consulting, maintenance, servicing and agency agreements;
- (v) collective bargaining agreements;
- (vi) sales agency, manufacturer's or sales representative, distributorship or marketing agreements;
- (vii) agreements, orders or commitments for the purchase of materials, supplies, transportation services or other services, or for the sale of products, transportation services or other services, in any case, having an unexpired term of more than 12 months or involving aggregate payments in excess of Twenty-Five Thousand Dollars (\$25,000.00), except purchases or sales contracts in the ordinary course of business;
- (viii) licenses to or from others of intellectual properties or computer software;
- (ix) agreements or commitments for the construction or acquisition of fixed assets or other capital expenditures in excess of \$50,000;
- (x) brokerage or finder's agreements;

(xi) partnership, joint venture or other arrangements or agreements involving a sharing of profits or expenses;

(xii) contracts or commitments to sell, lease or otherwise dispose of any asset other than in the ordinary course of business;

(xiii) contracts or commitments with any of the Stockholders, any Affiliate of the Company or any of the Stockholders or any director or officer of the Company;

(xiv) contracts or commitments limiting the freedom of the Company to compete in any line of business or in any geographical area or with any person or entity; and

(xv) other agreements, contracts and commitments or series of related agreements, contracts and commitments which, in any case, involve payments or receipts of more than Twenty-Five Thousand Dollars (\$25,000.00) over the life of such agreements, contracts or commitments.

(b) The Company has previously provided to the Purchaser complete and correct copies of all written contracts listed on Schedule 4.16, and a complete and correct description of all of the material terms of all oral contracts listed on Schedule 4.16, in each case together with a complete and correct copy or description, as the case may be, of all amendments thereto.

(c) The Company has performed the obligations required to be performed by it to date and is not in default or, to the Knowledge of Principal Stockholders, alleged to be in default under any such Contract, and there exists no event, condition or occurrence which, after notice or lapse of time, or both, would constitute such a default. All such Contracts are valid, in full force and effect and enforceable against the Company and, to the Knowledge of Principal Stockholders, the other parties thereto, in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, moratorium or similar laws affecting contract or creditors' rights generally or is subject to the availability of equitable remedies.

#### **4.17 Brokerage or Finder's Fees.**

Except for Ernst & Young, LLP, for whose fees the Principal Stockholders shall be solely responsible, neither the Company nor the Principal Stockholders has incurred any liability to any broker, finder or agent for any fees or commissions or similar compensation with respect to the transactions contemplated by this Agreement or the Related Agreements.



#### **4.18 Accounts Receivable.**

Except to the extent expressly reserved against in the December 31 Balance Sheet or the Closing Balance Sheet, the accounts and notes receivable reflected in such December 31 Balance Sheet were, and all receivables reflected in the Closing Balance Sheet will be, good and collectible free and clear of any Liens, and have and shall have arisen only from bona fide transactions in the ordinary course of business.

#### **4.19 Major Customers and Suppliers; Warranties.**

(a) Schedule 4.19(a) sets forth, for the years ended December 31, 1997 and 1998 (a) the names and addresses of the ten (10) largest customers of the Company (based on the aggregate value of services ordered from the Company by such customers during each such period) and (b) the amount for which each such customer was involved during each such period. Except as set forth on Schedule 4.19(a), the Company has not received any notice and neither it nor any of the Principal Stockholders has any reason to believe that any such customer of the Company (i) has ceased, or will cease, to use the services of the Company, (ii) has materially reduced, or will materially reduce, the use of services of the Company or (iii) has sought, or is seeking, to materially reduce the price it will pay for services of the Company.

(b) Schedule 4.19(b) sets forth, for the years ended December 31, 1997 and 1998 (i) the names of the ten (10) largest suppliers of the Company (based on aggregate value of products and/or services ordered by the Company from such suppliers during each such period), and (ii) the dollar amount of purchases made by the Company from each such supplier during each such period. The Company has not received any notice that, and the Principal Stockholders have no reason to believe that, any such listed supplier (i) has ceased, or will cease, to sell any products and/or services to the Company, or (ii) has materially reduced, or will materially reduce, the sales of its products and/or services to the Company, or (iii) has sought, or is seeking, to materially increase the price at which it will sell its products and/or services to the Company.

(c) Product Warranty. Each product manufactured, sold, leased, or delivered by the Company is and has been in conformity with all applicable contractual commitments and all express and implied warranties related thereto, and the Company has no Liability (and to the Knowledge of Principal Stockholders there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against the Company giving rise to any Liability) for replacement or repair thereof or other damages in connection therewith, subject only to the amount of the warranty reserve set forth on the Closing Balance Sheet. No product manufactured, sold, leased, or delivered by the Company is subject to any guaranty, warranty, or other indemnity beyond the applicable standard terms and conditions set forth in the sale or lease Contracts of the Company. Schedule 4.19(c) includes copies of the standard terms

and conditions set forth in the sale or lease Contracts of the Company (containing applicable guaranty, warranty, and indemnity provisions).

(d) Product Liability. The Company has no Liability (and to the Knowledge of Principal Stockholders there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against the Company giving rise to any Liability) arising out of any injury to individuals or property as a result of the ownership, possession, or use of any product manufactured, sold, leased, or delivered by the Company.

(e) Except as set forth on Schedule 4.19(e) the Company has not received any notice and neither it nor any of the Principal Stockholders has any reason to believe that any person or entity with whom the Company does business will not continue to do business with the Company after the Closing Date on terms and conditions substantially the same as those prevailing during the past 12 months. The Company believes its relations with persons and entities material to the conduct of its business are good.

#### **4.20 Affiliate Transactions.**

Schedule 4.20 contain a list of all contracts, agreements, transactions or commitments between any Stockholder, any former shareholder of the Company, any officer, or director of the Company, any family member of any of the foregoing or any other Affiliate of any of the foregoing, on the one hand, and the Company, on the other hand, other than (i) compensation paid as part of the employment relationship for services rendered (including directors' fees) or (ii) contributions by the Company or payments of benefits under any Company Benefit Plan of the Company (collectively, the "Affiliate Transactions"), that took place or were entered into during the 36 months preceding the date of this Agreement or that will bind the Company after the Closing. Except as set forth on Schedule 4.20, each Affiliate Transaction was or is on terms and conditions not materially more or less favorable to the Company than would have been or be obtainable by the Company in a comparable arms-length transaction with an unrelated person.

#### **4.21 Insurance.**

Schedule 4.21 contains a list of all insurance policies relating to the Business or the Assets or the Real Property. The Company has delivered to Purchaser complete and correct copies of all such insurance policies, together with all riders and amendments thereto. Such policies are in full force and effect and all premiums due thereon have been paid. The Company has complied in all material respects with the terms and provisions of such policies. No notice of termination or premium increase has been received under any of the policies.

#### **4.22 Environmental Matters.**

(a) Compliance with Environmental Law. Except as provided in Schedule 4.22(a), the Company has complied and are in compliance with all applicable

Environmental Laws pertaining to any of the Assets or the Real Property and ownership thereof, and to the operation of the Business. Except as provided in Schedule 4.22(a), the Company has not received any written notice, or to the Knowledge of Principal Stockholders, any other notice alleging that the Company is in violation of any Environmental Law relating to any of the Assets or the Real Property or to the use or ownership thereof, or to the operation of the Business.

(b) Other Environmental Matters.

(i) Except as provided in Schedule 4.22(a), neither the Company nor any other person has caused or taken any action that will result in, and the Company is not subject to, any material liability or obligation relating to (x) the environmental conditions on, under, or about the properties or Assets or the Real Property owned, leased, operated or used by the Company or any predecessor thereto at the present time or in the past, including, without limitation, the air, soil and groundwater conditions at such properties, or (y) the past or present use, management, handling, transport, treatment, generation, storage, disposal or release of any Hazardous Materials.

(ii) the Principal Stockholders and the Company have disclosed and made available to Purchaser all information, including, without limitation, all studies, analyses and test results, in the possession, custody or control of or otherwise known to the Company or any of the Principal Stockholders relating to (x) the environmental conditions on, under or about the properties or Assets or the Real Property owned, leased, operated or used by the Company or any predecessor in interest thereto at the present time or in the past, and (y) any Hazardous Materials used, managed, handled, transported, treated, generated, stored or released by the Company or any other person on, under, about or from any of the properties or Assets or the Real Property or in connection with the operation of the Business.

(c) Special Environmental Matters. Notwithstanding the foregoing, except as disclosed on Schedule 4.22(c), none of the following exists at the Company or on the Real Property:

- (i) underground storage tanks or surface impoundments;
- (ii) asbestos-containing materials, in any form or condition, regulated under any Environmental Law; or
- (iii) materials or equipment containing polychlorinated biphenyls regulated under any Environmental Law.

(d) Remediation Obligations. Except as set forth on Schedule 4.22(d), the Company has not, either expressly or by operation of Applicable Law, assumed or undertaken any Liability or corrective, investigatory or remedial obligation of any other Person relating to any Environmental Laws. No Lien, whether recorded or unrecorded, in favor of any Governmental Authority, relating to any Liability of the Principal Stockholders or the Company arising under any Environmental Laws, has attached to any of the Company, its Assets or the Real Property.

#### **4.23 Bank Accounts.**

Schedule 4.23 sets forth a complete and correct list containing the names of each bank in which the Company has an account or safe deposit or lock box, the account or box number, as the case may be, and the name of every person authorized to draw thereon or having access thereto.

#### **4.24 Inventory.**

All Inventory of the Company consists of goods of a quality and quantity salable in the ordinary course of business of the Company and is merchantable and fit for the purpose for which it was procured or manufactured and none of such Inventory is slow-moving, obsolete, damaged or defective, subject only to the reserve for obsolete Inventory which is set forth on the Closing Balance Sheet. Schedule 4.24 lists all locations where the Company maintains Inventory, and if any such Inventory is held under a consignment or other similar arrangement (collectively, the "Consigned Inventory"), Schedule 4.24 lists: (i) the name of the Person holding such Consigned Inventory, (ii) a description of such Consigned Inventory, and (iii) the approximate fair market value of such Consigned Inventory. The Company has taken all action necessary and desirable to protect its ownership interest in all Consigned Inventory against any claim of any Person, including creditors of any Person holding such Consigned Inventory, and no claim other than by the Company has ever been made or currently exists in respect of the Consigned Inventory. Except as disclosed on Schedule 4.24, no Inventory of the Company is held under a consignment or similar arrangement.

#### **4.25 Sufficiency of Assets.**

The Assets of the Company constitute all of the assets, rights and interests necessary to conduct the Business of the Company as conducted as of the date hereof and as conducted during the year prior to the date hereof by the Company and as to be conducted by the Company through the Closing Date.

#### **4.26 Disclosure.**

This Agreement and each certificate or other instrument or document furnished by or on behalf of any of the Principal Stockholders or the Company to Purchaser or any agent or

representative of Purchaser pursuant hereto or in connection herewith, taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated herein or therein or necessary to make the statements contained herein or therein in light of the circumstances under which they were made, not misleading. Neither the Company nor any of the Principal Stockholders knows of any fact (other than matters of a general economic or political nature that do not affect the Business or the Assets uniquely) that would reasonably be expected to have, or result in, a material adverse effect on the Company.

## **ARTICLE V**

### **REPRESENTATIONS AND WARRANTIES OF PURCHASER**

Purchaser hereby represents and warrants to the Stockholders:

#### **5.1 Organization and Authority of Purchaser.**

Purchaser is a corporation duly organized, validity existing and in good standing under the laws of the State of Delaware. Purchaser has full corporate power and authority to enter into this Agreement and the Related Agreements and to consummate the transactions contemplated herein and therein and to own the assets and properties owned by it.

#### **5.2 Due Authorization by Purchaser.**

The execution of this Agreement and the Related Agreements by Purchaser and the performance by Purchaser of the transactions contemplated herein or therein have been duly authorized by all necessary corporate action of Purchaser, and this Agreement and the Related Agreements constitute valid and binding agreements of Purchaser, enforceable against Purchaser in accordance with their terms, except that such enforcement (i) may be limited by bankruptcy, insolvency, moratorium or similar laws affecting contract or creditors' rights generally, and (ii) is subject to the availability of equitable remedies, as determined in the discretion of the court before which such a proceeding may be brought.

#### **5.3 Consents; No Conflict. Funds Available.**

Except for applicable requirements of the HSR Act, Purchaser is not required to obtain the consent, authorization or approval of any third party or any permit, license or franchise as a condition to the consummation of this Agreement and the Related Agreements by Purchaser, and the execution and delivery of this Agreement and the Related Agreements by Purchaser and the consummation by it of the transactions contemplated herein will not conflict with, result in the termination of, result in a material breach of, or constitute a material default under the terms of any indenture, mortgage, deed of trust, covenant, agreement or other instrument to which Purchaser is a party or to which its property is subject.

**5.4 Brokerage and Finder's Fee.**

Purchaser has not incurred any liability to any broker, finder or agent for any fees, commissions or similar compensation with respect to the transactions contemplated by this Agreement.

**ARTICLE VI**

**COVENANTS AND FURTHER AGREEMENTS**

**6.1 Information Prior to Closing.**

From the date hereof to the Closing Date, the Principal Stockholders will cause the Company to make the management of the Company reasonably available to Purchaser and its authorized representatives and provide Purchaser and its accountants, legal counsel and other authorized representatives reasonable access during normal business hours to, and permit such persons to review, the properties, books, contracts, accounts, and records of the Company, and to provide such other information to Purchaser and its authorized representatives as shall have been reasonably requested by Purchaser or such authorized representatives, in order that Purchaser may have the opportunity to make such investigation as it shall desire to make of the affairs of the Company, the Real Property, the Assets and the Business.

**6.2 Conduct of Business, Changes in the Company.**

(a) During the period from the date of this Agreement to the Closing, the Principal Stockholders, jointly and severally, covenant and agree that they will cause the Company to conduct its business in the ordinary course, consistent with prior practice. The Principal Stockholders agree to inform Purchaser promptly upon receipt of knowledge of the occurrence of any event occurring prior to the Closing which could result in a material adverse change in the financial condition, assets, liabilities or prospects of the Company or the Real Property.

(b) Without limiting the generality of the foregoing, without the prior written consent of Purchaser, the Principal Stockholders, jointly and severally, covenant and agree that they will not permit the Company to do or agree to do any of the following on or before the Closing, except as provided herein or as listed on Schedule 6.2(b):

(i) Other than in the ordinary course of business and consistent with the Company's past practices, grant any increase in salary, fringe benefits or other compensation payable, or to become payable, by the Company to any officer, employee, agent or representative of the Company, except that, prior to Closing, Company may distribute the Employee Bonuses;

(ii) Enter into any contract, commitment or transaction not in the ordinary course of the Company's business;

(iii) Make any capital expenditure in excess of \$50,000 on or lease any item of capital equipment;

(iv) Sell or dispose of any capital equipment, except for equipment no longer useful to the Company's operations;

(v) Waive, cancel or compromise any material right or claim of the Company other than in the ordinary course of business and consistent with past practices;

(vi) Modify, amend, cancel or terminate any material contract or agreement to which the Company is a party other than in the ordinary course of business and consistent with past practices;

(vii) Conduct all Tax affairs relating to the Company in a manner other than in the ordinary course and in substantially the same manner as such affairs would have been conducted if the parties had not entered into this Agreement;

(viii) Take any action that would cause any of the representations and warranties set forth in Section 4.7 hereof to be untrue; or

(ix) Declare any dividend or distribute any assets of the Company to the Stockholders, other than as set forth on Schedule 6.2(b).

(c) During the period from the date of this Agreement to the Closing, the Principal Stockholders, jointly and severally, covenant and agree that they will cause the Company to continue, in the ordinary course of its business and consistent with its past practices, to:

(i) Market its services; and

(ii) To carry on its business in, and only in, the ordinary course of business, in substantially the same manner as heretofore conducted, and use its best efforts to preserve intact its present business organization, keep available the services of its present officers, significant employees, sales agents and independent contractors, and preserve its relationships with customers, suppliers and others having business dealings with it, to the end that its goodwill and going business shall be unimpaired following the Closing.

### **6.3 Expenses.**

Subject to the terms of Article IX or as otherwise provided in this Agreement, the Purchaser and the Principal Stockholders shall pay its or their own expenses relating to the consummation of the transactions described herein including, in the case of the Purchaser, all of the fees in connection with the HSR Act filing.

### **6.4 HSR Filings.**

The Principal Stockholders shall promptly make all filings, reports and documents as may be necessary on the part of the Principal Stockholders to comply with the HSR Act with respect to the transactions contemplated under this Agreement or any Related Agreement. The Principal Stockholders shall cooperate with and assist Purchaser and take such action as may be reasonably required and as permitted under Law in connection with such filings or similar filings made by Purchaser (including, but not limited to, cooperating with additional requests for information and documents by the Federal Trade Commission or the Antitrust Division of the Department of Justice pursuant to the HSR Act and arranging interviews of officers and personnel, in each case if requested by any relevant Governmental Authority).

Purchaser shall promptly make all filings, reports and documents as may be necessary on the part of Purchaser to comply with the HSR Act with respect to the transactions contemplated under this Agreement and any Related Agreement. Purchaser shall cooperate with and assist the Principal Stockholders and take such action as may be reasonably required and as permitted under Law in connection with such filings or similar filings made by the Principal Stockholders (including, but not limited to, cooperating with additional requests for information and documents by the Federal Trade Commission or the Antitrust Division of the Department of Justice pursuant to the HSR Act and arranging interviews of officers and personnel, in each case if requested by any relevant Governmental Authority).

### **6.5 Certain Tax Matters.**

(a) Payment for Certain Taxes. The Principal Stockholders shall pay to the relevant Governmental Authorities, or shall reimburse or indemnify Purchaser and the Company for, any Tax of the Company that is or may become payable by the Company or the Purchaser or chargeable as a Lien upon the Assets thereof and that (A) is attributable to any period or a portion thereof ending, or event occurring, on or prior to the Closing Date and (B) has not been paid as of the Closing Date, to the extent that the amount of such Tax exceeds the reserve with respect thereto reflected on the face of (and not solely in any notes to) the Closing Balance Sheet (excluding any reserve for deferred liability for Taxes). For purposes of this Section 6.5(a), any liability attributable to a taxable period which begins before and ends after the Closing Date shall be apportioned between the portion of such period ending on the Closing Date and the portion beginning on the date after the Closing Date (X) in the case of personal property Taxes, by



apportioning such Taxes on a per diem basis and (Y) in the case of all other Taxes (other than real estate taxes) on the basis of the actual activities of Purchaser as determined from the books and records of Purchaser for such partial period.

(b) Tax Returns.

(i) The Principal Stockholders' Responsibility. The Principal Stockholders shall prepare and timely file, or cause to be prepared and timely filed, with the relevant Governmental Authorities all Tax Returns relating to the Business, the Company or Assets of the Company that are required to be filed by Tax law on or prior to the Closing Date on a basis consistent with past practice and in the manner that such Tax Returns would have been prepared and filed if the parties had not entered into this Agreement.

(ii) Purchaser's Responsibility. Purchaser shall prepare and timely file, or cause to be prepared and timely filed, with the relevant Governmental Authorities all Tax Returns relating to the Business, the Company or Assets of the Company other than those Tax Returns described in Section 6.5(b)(i). Purchaser shall permit Principal Stockholders to review and comment on each such Tax Return that includes results of operations with respect to, in whole or in part, any period or periods prior to the Closing Date.

(iii) Cooperation. Purchaser and the Principal Stockholders shall cooperate with respect to the preparation and filing of any Tax Return for which the other is responsible pursuant to this Section 6.5(b).

(c) Tax Proceedings. Principal Stockholders, Company and Purchaser shall cooperate fully, as reasonably requested by the other party or parties in, the conduct of any audits or administrative or judicial proceedings with respect to the Tax liabilities of the Company for any period or portion thereof. Purchaser (i) shall give notice to the Principal Stockholders of any Tax adjustment proposed in writing pursuant to any government audit or other proceeding if such adjustment could give rise to a claim for indemnification against the Principal Stockholders pursuant to this Agreement, (ii) shall, if requested by the Principal Stockholders, consult with the Principal Stockholders and their counsel regarding the positions it will assert in writing with respect to any such proposed adjustment, and (iii) shall not, and shall not permit any of its Affiliates to, accept any proposed adjustment or enter into any settlement or agreement that would result in a claim for indemnification against the Principal Stockholders under this Agreement (A) without the written consent of the Principal Stockholders, which consent shall not be unreasonably withheld or (B) unless Purchaser shall have provided to the Principal Stockholders a letter from an independent tax advisor stating that, in such advisor's judgment, the proposed adjustment or settlement is reasonable taking into account Applicable Law, the risks and costs involved in further pursuing the matter, and

the interests of the parties. Purchaser and the Principal Stockholders shall cooperate with respect to any audit or proceeding referred to in this Section 6.5(c), provided, that such cooperation shall not unreasonably interfere with the conduct of the business of he parties.

(d) Transfer Taxes. The Principal Stockholders shall be responsible for, and neither the Company nor Purchaser (or any designee thereof) shall bear, any Taxes (including any stock transfer Taxes) that relate to the purchase and sale of the Shares pursuant to this Agreement. The Principal Stockholders shall promptly reimburse the Company or Purchaser (or any designee thereof) for any such Taxes that they pay to any Governmental Authority.

(e) Section 338(h)(10) Election. The Company and the Stockholders shall file and join (i) Purchaser in timely making an election under Section 338(h)(10) of the Code (and any comparable election under state or local Tax Law) (collectively a "Section 338(h)(10) Election") with respect to the purchase and sale of the Shares and (ii) cooperate with Purchaser in the completion and timely filing of such elections in accordance with the provisions of Treasury Regulations Section 1.338(h)(10)-1 (or any comparable provisions of state or local Tax Law) or any successor provision. Purchaser will prepare and forward to the Stockholders the appropriate forms and documentation related to such election within ninety (90) days after the Closing. Stockholders shall have the right to review and approve such forms and documentation (which approval shall not be unreasonably withheld or delayed). Each Stockholder and Purchaser represent and warrant to the other that it is qualified to make such an election. The Stockholders shall pay any Tax attributable to or resulting from the making of the Section 338(h)(10) Election, including, without limitation, any Tax imposed on the Company under Section 1374 of the Code, ("338(h)(10) Tax") and will indemnify and hold harmless Purchaser and the Company against any Losses and Liabilities arising out of any failure to pay such 338(h)(10) Tax. The Stockholders, with respect to the sale of the Shares and with respect to (i) those states or local jurisdictions whose Laws adopt the provisions of the Code or whose Laws provide for an election substantially similar to the election available under Section 338(h)(10) of the Code shall pay any state or local Tax and indemnify and hold harmless Purchaser and the Company against any Losses and Liabilities arising out of any failure to pay any Tax attributable to such election (or which results from the making of such election), and (ii) those states or local jurisdictions whose Laws do not adopt the provisions of the Code and do not provide for an election substantially similar to the election available under Section 338(h)(10) of the Code, shall pay any State Section 338(h)(10) Proxy Tax and indemnify Purchaser and the Company against any Losses and Liabilities arising out of any failure to pay such State Section 338(h)(10) Proxy Tax, except as set forth above. As used herein, "State Section 338(h)(10) Proxy Tax" shall mean the lesser of (x) any state or local Tax attributable to an election or deemed election under state or local Law substantially similar to an election available under Section 338(g) of the Code (or which results from the making of an election under Section 338(g)

of the Code) with respect to the sale of the Shares, or (y) the actual amount of any state or local Tax imposed on the Company with respect to the sale of the Shares.

(f) As a condition to joining the Purchaser in the timely making and filing of the Section 338(h)(10) Election, Purchaser shall have paid in cash to Stockholders an amount so that the net after-tax proceeds realized by the Stockholders during Company's current tax year in the aggregate as a result of the purchase of the Shares is equal to the same amount as they would have realized had the Section 338(h)(10) Election or any Section 338(h)(10) Proxy Tax election not been made ("Stockholders' Tax Differential").

Stockholders' Tax Differential shall be determined as follows:

(i) Stockholders' tax liability with respect to the sale of Shares pursuant to this Agreement shall be determined as if no Section 338(h)(10) Election or State Section 338(h)(10) Proxy Tax election was made (the "Stock Sale Taxes").

(ii) Stockholders' tax liability as a result of the Section 338(h)(10) Election and the State Section 338(h)(10) Proxy Tax election shall be determined (the "Asset Sale Taxes").

(iii) The excess of Asset Sale Taxes over the Stock Sale Taxes shall be paid to Stockholders and such amount shall be increased by the tax liability to Stockholders with respect to such payment so that Stockholders are reimbursed for any tax liability on such payment and such reimbursement.

For purpose of determining the amount of the Stockholders' Tax Differential, the Stockholders shall be deemed to pay federal income taxes at the highest stated rate of federal income taxation in the calendar year in which the Stockholders' Tax Differential is made and state and local income taxes at the highest stated rates of taxation in the appropriate state and locality in the calendar year in which the Stockholders' Tax Differential is made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

(g) Allocation of Purchase Price. The Principal Stockholders and Purchaser agree that the Purchase Price (plus other relevant items) will be allocated to the assets of the Company for all purposes (including Tax and financial accounting purposes) in a manner consistent with the fair market values of the assets pursuant to Treasury Regulations § 1.338(b) - 2T and § 1.338(b) - 3T. Within ninety (90) days of the Closing, Purchaser shall deliver to the Principal Stockholders a Schedule setting forth the allocation of the Purchase Price among the assets of the Company (the "Allocation") which shall be binding on all parties. The Principal Stockholders and Purchaser shall file all Tax Returns (including amended returns and claims for refund) and information reports in a manner consistent with the Allocation.

#### **6.6 Cooperation in Litigation.**

Each party hereto will reasonably cooperate with the other party hereto in the defense or prosecution of any litigation or proceeding (or order or settlement in connection therewith) already instituted or which may be instituted hereafter against or by any party hereto relating to or rising out of the conduct of the business of the Company prior to the date hereof (other than litigation arising out of the transactions contemplated by this Agreement). The party requesting such cooperation shall pay the out of pocket expenses (including, but not limited, reasonable attorneys' fees and expenses) of the party providing such cooperation and of its employees and agents reasonably incurred in connection with providing such cooperation, which shall not be responsible to reimburse the party providing such cooperation for the salaries or cost of fringe benefits or other similar benefits paid by the party providing such cooperation to its employees and agents while assisting in the defense or prosecution of any such litigational proceeding. Notwithstanding the foregoing, this Section 6.6 shall not apply to any litigation which is the subject of a claim for indemnification pursuant to Article IX hereof.

#### **6.7 Confidentiality.**

Following Closing, each party hereto shall, shall cause its Affiliates to, and shall use reasonable commercial efforts to cause its representatives to, hold in strict confidence and not utilize in its or their respective business all information and documents concerning any other party hereto or any of its Affiliates and their respective businesses, including, without limitation, all confidential or proprietary documents and information furnished or made available to Purchaser and its Affiliates and representatives by the Principal Stockholders and their Affiliates and representatives concerning the Company even though such documents and information were first developed by, made known to, or obtained from, the Principal Stockholders and their Affiliates and representatives (all such information and documents are collectively referred to herein as "Confidential Information") except where disclosure may be necessary for each party to enforce its rights under this Agreement (or any documents or instruments executed pursuant hereto). Notwithstanding the foregoing, the following will not constitute Confidential Information for purposes of this Agreement: (a) other than confidential or proprietary documents and information regarding the Business of the Company (which shall be treated as Confidential Information), (i) information which was already in the possession of the receiving party or its Affiliates prior to the date hereof and which was not acquired or obtained from any other party or its Affiliates subject to an obligation of confidentiality, (ii) information which is independently developed by the receiving party or any Affiliate thereof without access to the Confidential Information, and (iii) information which is obtained or was previously obtained by the receiving party or its Affiliates from a third Person who is not prohibited from transmitting the information to the receiving party or its Affiliates by a contractual, legal or fiduciary obligation to any other party or its Affiliates, and (b) (i) information which is or becomes generally available to the public other than as the result of a disclosure by the receiving party or any Affiliate thereof or their agents or employees, and (ii) information which the receiving party is legally obligated to disclose in connection with its filing of required Tax Returns or pursuant to a valid subpoena or a

valid request from any Governmental Authority, subject to the obligation of the receiving party to give the other party reasonable advance notice of such disclosure and to cooperate with the other party in seeking a protective order or other appropriate means for limiting the scope of the disclosure. Notwithstanding the foregoing, following the Closing, the foregoing restrictions in this Section 6.7 shall not apply to the use by Purchaser of any documents or information concerning the Company and its Business furnished or transferred by the Principal Stockholders, its Affiliates or representatives to Purchaser, its Affiliates or representatives in connection with this Agreement and/or the Related Agreements.

#### **6.8 Worker's Compensation Refunds.**

Stockholders shall be entitled to all dividends received by the Company from St. Paul Insurance Companies with regard to worker's compensation insurance net, however, of any taxes due from the Company with respect to such income, for all periods ending on or before the Closing Date, but only to the extent any right to such dividends has not been accrued as an asset on the Closing Balance Sheet. Purchaser shall cause the Company to promptly distribute the amount of such dividends pro-rata to the Stockholders as they are received.

#### **6.9 Certain Environmental Matters.**

(a) The Principal Stockholders and the Purchaser accept as a complete and accurate description of the environmental condition of the Real Property on the Closing Date (the "Existing State") the following: (i) the conditions identified in the Phase II Preliminary Site Investigation prepared December 1998 by Envision Environmental, Inc., and (ii) the additional conditions to be identified by the Principal Stockholders in the further investigations to be carried out on their behalf by Graef, Anhalt, Schloemer & Associates, Inc. ("Graef") in consultation with the relevant Authority and with the Purchaser and in accordance with all applicable Environmental Laws, including, but not limited to, Wisconsin Administrative Code (the "WAC") NR 700-750. The Purchaser shall have the right to review and consult with Principal Stockholders regarding and be reasonably satisfied with the nature and scope of such further investigation. In carrying out any clean up or investigation under this Section, the Principal Stockholders shall have the initiative and shall decide the approach and pace of such activities, subject to the limits stated herein. The Principal Stockholders shall carry out the further investigations referred to in (ii) above in accordance with the conditions to voluntary participation in the Wisconsin Remediation and Redevelopment Program. The Principal Stockholders agree that if the further investigations result in the classification of the Real Property as a "complex" site under WAC NR 700.09(2), a site investigation report under WAC NR 716 shall be prepared along with a draft remedial options report under WAC NR 722. Conditions described in any of these materials shall be considered a part of the Existing State. Such reports shall be reviewed by Purchaser prior to their submittal to the applicable Authority and Purchaser shall consult with Principal Stockholders regarding

and be reasonably satisfied with the nature and scope of such reports prior to their submittal.

(b) The Principal Stockholders shall at their expense: (i) clean up and remediate all groundwater contamination identified in the Existing State, to the extent required by the Wisconsin Department of Natural Resources ("WDNR") Groundwater Protection Standards and other applicable Laws ("Standards"), and (ii) obtain the written concurrence of the WDNR that no further action is necessary by any party to address all groundwater contamination identified in the Existing State.

(c) The Principal Stockholders shall at their expense: (i) with prior consultation with the relevant Authority and Purchaser, determine applicable site specific soil cleanup and remediation standards under WDNR NR 720 and any other applicable Law; and (ii) clean up, remediate and monitor soil contamination in excess of the standards so determined in a manner necessary to obtain the WDNR's written concurrence that no further action by any party is necessary to address the soil contamination identified as part of the Existing State.

(d) The Principal Stockholders shall use commercially reasonable efforts to accomplish the activities identified in the foregoing subsections of this Section 6.9 within two years from the date hereof, and whether or not such activities are completed during the two year period, shall diligently pursue such activities during such two year period and thereafter as required to complete the activities.

(e) In accordance with the procedures in Article IX hereof, but subject to the terms of this Section 6.9, the Principal Stockholders shall defend, indemnify and hold harmless the Purchaser, the Company and its officers, directors, employees, agents, subsidiaries and affiliated companies against any liabilities, losses, orders, judgments, fines, penalties and/or claims and related costs and expenses including, without limitation, reasonable attorneys' fees and costs, (i) brought by or resulting from third parties, including, without limitation, any Authority, and all cost incurred by the Company for disposal or management of soil or water waste which arises during normal business operations or replacements due to conditions identified in the Existing State, but only to the extent required by Law or any Authority; (ii) incurred by the Company in connection with any orders issued to the Company by any Authority to the extent such orders relate to soil or groundwater contamination identified in or relating to the Existing State, but only to the extent Principal Stockholders are not reasonably addressing the substance of any such orders in a manner which prevents the Company from incurring any cost or expense; and (iii) arising from the entry onto the property by the Principal Stockholders and/or the Representatives to implement the Activities (as defined herein).

(f) After the Closing Date, any claim by or liability to a third party that may give rise to an obligation on the part of the Principal Stockholders under this Section shall

not be accepted, compromised or settled by the Purchaser without the prior written consent of the Principal Stockholders as long as the Principal Stockholders are fulfilling their obligations and liabilities under this Section 6.9, which consent shall not be unreasonably withheld or delayed. Except as set forth in this Section 6.9, the Principal Stockholders may not enter into any agreement or compromise that affects the Company or the Real Property without Purchaser's consent (which consent shall not be unreasonably withheld or delayed unless it would materially impair the continued operations of the Company as then contemplated) unless it involves solely the payment of money by the Principal Stockholders. The Purchaser and the Company shall (if requested promptly in writing by the Principal Stockholders and as long as the Purchaser and the Company are indemnified as set forth in subsection 6.9(e) above) at the Principal Stockholders' expense, take all such action as the Principal Stockholders may reasonably request to avoid, dispute, resist, appeal, compromise or contest such claim or liability and shall make available to the Principal Stockholders all information and reasonable assistance as may be requested and as is available to the Company or Purchaser.

(g) The Principal Stockholders shall have no further liability to the Purchaser or the Company with respect to the contamination which has been identified under Section 6.9 (a) hereof following the third anniversary of the date of completion of the clean up, remediation or monitoring in accordance with the standards established hereunder except with respect to claims made by Purchaser or the Company under this Section 6.9 prior to such third anniversary. However, until the third anniversary, Principal Stockholders shall indemnify and hold Purchaser and Company harmless pursuant to the terms of Section 6.9(e) hereof.

(h) In accordance with the terms of subsection 6.9(b) and (c) above, completion of the clean up, remediation and/or monitoring shall be evidenced by receipt of a no further action determination addressed to the Company by the WDNR. The Principal Stockholders shall not consent to any institutional control, restriction or use limitation (individually or collectively, an "Imposition") with respect to the Real Property in connection with obtaining the no further action determination unless the Principal Stockholders shall have first consulted with the Purchaser regarding such Imposition and first obtained the prior written consent of the Purchaser, which consent shall not be unreasonably withheld or delayed unless it would materially impair the continued operations of the Company as then contemplated. The Purchaser shall promptly execute such documents identified by the Principal Stockholders as reasonably necessary to effectuate an Imposition which is imposed in accordance with the terms hereof.

(i) The Principal Stockholders shall provide the Purchaser with security for the obligations set forth in this Section (other than subsection (g) hereof) in the form of a letter of credit attached hereto as Exhibit E (the "Letter of Credit") (upon which the Company may draw only upon notice of a draw to the issuing bank) having a principal amount no less than 110% of the cost of completion of the clean up, remediation and/or

monitoring required under Sections 6.9(b) and (c), which Letter of Credit shall initially be in the amount of \$500,000 and shall be delivered to Purchaser at the Closing. No later than each September 1st and March 1st following the Closing, the Principal Stockholders shall provide the Purchaser with a reasonable estimate of the cost of completion of the clean up, remediation and/or monitoring required hereunder which shall serve as the basis for determining the principal amount of the letter of credit for the next year. No later than each September 15th and March 15th following the Closing, the Principal Stockholders shall deliver any amended letter of credit necessary to assure that the Letter of Credit meets the condition set forth in the first sentence. If (i) the Letter of Credit is not renewed from time to time at least thirty (30) days prior to its expiration, (ii) the amount thereof is not adjusted as of each September 15th and March 15th as set forth herein, or (iii) if the Principal Stockholders at any time fail to fulfill their obligations and liabilities hereunder (each of (i)-(iii) above may hereafter be referred to as a "Drawing Condition"), the Purchaser or the Company may draw on such Letter of Credit and apply such amounts towards the obligations and liabilities of the Principal Stockholders hereunder in addition to any other rights and remedies available to the Purchaser and the Company. The Purchaser and the Company shall return the Letter of Credit required herein to Principal Stockholders upon Principal Stockholders delivery of (x) the no further action letter required under subsection (h) hereof, (y) an affidavit prepared by contractors conducting the Activities indicating that payment in full of all expenses and costs related thereto has been made, and (z) any amounts due to the Company and/or the Purchaser under this Section 6.9 as of such date having been paid in full.

(j) Subject to the terms and conditions of this Agreement, Purchaser hereby grants the Principal Stockholders and their authorized employees, agents, representatives, consultants, contractors and subcontractors, (collectively the "Representatives") a license to enter the Real Property at reasonable times for the purpose of performing investigation and remediation activities at the Real Property (hereinafter the "Activities"). The Activities may include, but are not limited to, the removal, testing, monitoring and preparation of soil and water samples, the construction, operation and maintenance of a treatment facility and the removal and restoration of soil and other debris. Purchaser further grants to the Principal Stockholders a license to place, store and operate all equipment necessary for the Activities; provided that such placement, storage and operation complies with all applicable laws and regulations and do not materially interfere with or disrupt Purchaser's operations.

(k) The Principal Stockholders and the Representatives shall comply with all Environmental Laws applicable to the Activities.

(l) For each phase of the Activities the Principal Stockholders shall provide to Purchaser reasonable advance notice (not less than 7 days) that the Principal Stockholders or Representatives will commence that phase of the Activities at the Real Property. The notice to be provided by the Principal Stockholders shall generally describe the phase and



nature of the Activities which the Principal Stockholders propose to commence and shall detail, to the extent the Principal Stockholders are able, the amount of space which the Principal Stockholders anticipate that will be needed to place, store and/or operate equipment necessary for the Activities and any other needs for the operation and/or conduct of the Activities. For every phase of the Activities, the Principal Stockholders and the Representatives shall not materially interfere with the use of the Real Property by Purchaser.

(m) Purchaser shall reasonably cooperate with the Principal Stockholders in implementing the various phases of the Activities, including, without limitation, providing space at the Real Property for the installation and operation of any system necessary to implement such Activities. To the extent available, Purchaser shall allow the Representatives to use existing utilities, including, without limitation, water and electrical power necessary to operate such systems upon reimbursement by Principal Stockholders of the allocable costs.

(n) With respect to each phase of the Activities, the Principal Stockholders shall deliver to Purchaser the written proposal for that phase, and each such proposal shall be certified by the Principal Stockholders and the Representative having the pertinent expertise that the carrying out of the tasks and work described in the proposal shall meet and fulfill all applicable Environmental Laws for that phase of the Activities. Any updates or corrections to such proposals shall also be delivered to Purchaser and contain the same certification. Such proposals, including updates and corrections, shall be delivered to Purchaser no later than 5 days before the anticipated commencement of the subject phase of the Activities.

(o) The Principal Stockholders shall provide to Purchaser copies of all correspondence between the Principal Stockholders and any Authority concerning the Activities or other matters related to this Section 6.9, and all measurements, data, samplings, analysis and/or other materials resulting from or produced pursuant to the Activities as soon as the same are available to Principal Stockholders.

(p) Purchaser shall provide to the Principal Stockholders copies of all correspondence between Purchaser and any Authority concerning the Activities or other matters related to this Section 6.9.

(q) The parties agree to reasonably cooperate with each other, directly and through their respective consultants, to effect the successful completion of the Activities. However, subject to the Principal Stockholders' obligations to communicate with and receive consents or approvals from the Purchaser as provided herein, the parties agree that the Principal Stockholders shall reasonably control and lead the activities and shall coordinate all communications with any authority regarding the same. Purchaser shall not communicate with any Authority regarding the Activities or the Existing State without

the prior notice to, consultation with and obtaining the consent of the Principal Stockholders, which shall not be unreasonably withheld or delayed, and without allowing the Principal Stockholders to participate in and lead any such communications.

(r) The Principal Stockholders shall investigate the presence of underground utilities and/or other underground structures on the Real Property prior to any soil boring, excavations, or similar activities to avoid damaging the same when conducting such activities. Purchaser agrees to supply the Principal Stockholders with any information Purchaser may have concerning underground utilities or other underground structures. In the event that any such underground utilities or structures are damaged or removed in the course of performing the Activities, except as otherwise agreed by the parties hereto, the Principal Stockholders at their sole expense, shall immediately return them to their condition(s) existing prior to damage or removal. At the conclusion of the Activities (or any discrete portion thereof) all equipment associated with such Activities shall be removed by the Representatives and the Principal Stockholders shall restore the Real Property and all improvements thereon to the general conditions existing prior to the Activities.

(s) The Principal Stockholders and the Representatives shall maintain property damage and general liability insurance coverage with limits of no less than \$1 million per occurrence and \$2 million aggregate from an insurance company acceptable to Purchaser and approved in the State of Wisconsin. Such coverage and the corresponding policy will cover specifically any activities of the Principal Stockholders and the Representatives at the Real Property and/or concerning the Activities. Purchaser shall be included as an additional insured on such policy, which shall provide 30 days' advanced notice to Purchaser in writing from the insurer of any modification, limitation or cancellation in coverage under such policy. The Principal Stockholders or the Representative shall provide a certificate of such insurance coverage originally executed by the insurer prior to conducting any activity at the Real Property and such certificate shall provide that Purchaser shall receive 30 days advance notice from the insurer of any termination, expiration, change, or reduction in coverage. A complete copy of the policy shall also be provided to Purchaser once it is available.

(t) The Principal Stockholders and the Representatives shall also (i) provide workers' compensation coverage for their respective employees who enter the Real Estate or participate in the Activities and (ii) automobile liability insurance coverage with limits of no less than \$1 million per occurrence and \$2 million aggregate from an insurance company acceptable to Purchaser and licensed in the State of Wisconsin. The Principal Stockholders shall provide a certificate of such coverages originally executed by the State of Wisconsin for the workers' compensation coverage and by the insurer for the automobile liability coverage prior to conducting any activity at the Real Property.

(u) In accordance with the procedures in Article IX, Purchaser agrees to defend, indemnify and hold harmless the Principal Stockholders from and against any and all liabilities, judgments, orders, claims, fines, and/or penalties including reasonable attorneys' fees and costs arising in connection with any negligent or willful act or omission of Purchaser, its employees, agents or subcontractors.

#### **6.10 Employee Benefit Plans.**

(a) Short Plan Year Contributions. Before Closing, Principal Stockholders shall determine the total amount of contribution of the Company to any Qualified Company Benefit Plan for the plan year that includes the Closing Date (including, without limitation, any discretionary employer contributions at the levels consistent with past practice), and such amount shall be calculated ratably over the Qualified Company Benefit Plan's year through the Closing Date without regard to any requirements relating to minimum hours of service or employment on the last day of the plan year of such Qualified Company Benefit Plan. Principal Stockholders shall cause the Company to contribute such portion to the appropriate Qualified Company Benefit Plan prior to Closing.

(b) Runoff Claims. With respect to any self-insured medical, dental, vision and short-term disability plan, policy, or arrangement maintained by the Company or Company ERISA Affiliate, the Principal Stockholders shall (i) be liable for all covered and eligible claims for services rendered or for claims incurred prior to the Closing Date which have not been paid prior to the Closing Date ("Covered Claims"), and (ii) promptly reimburse the Purchaser for any amounts paid by Purchaser or its Affiliates or, where applicable, any Purchaser's Plan, with respect to such claims, except that the Principal Stockholders shall have no liability hereunder for Covered Claims except to the extent that the amount of Covered Claims exceeds any reserve therefor set forth on the Closing Balance Sheet (the "Covered Claims Reserve"). As of March 31, 1999 and the end of each calendar quarter thereafter, Purchaser or an Affiliate shall notify the Principal Stockholders of the amount by which such Covered Claims paid by Purchaser or its Affiliates, or where applicable, any Purchaser's Plan, during such reporting period exceed the amount, if any, of proceeds received or to be received from a stop-loss insurer through December 31, 2000 as reimbursement in respect of such claims and the amount of any Covered Claims Reserve set forth in the Closing Balance Sheet (the "Reimbursement Shortfall"). Within fifteen (15) days of receipt of an itemized reimbursement request, the Principal Stockholders shall pay to Purchaser or its designated Affiliate the dollar amount (in cash) equal to the Reimbursement Shortfall set forth on such itemized reimbursement request. In no event shall Purchaser amend, cancel or otherwise modify the stop-loss insurance maintained by the Company until after December 31, 2000 unless at such time either no claims are any longer pending or Purchaser waives its rights under this Section. The Principal Stockholders hereby represent and warrant that the Covered Claims Reserve is of an adequate size for the Company taking into account all relevant factors

including, without limitation, the number of Employees and the claims experience of the Company.

**ARTICLE VII**  
**CONDITIONS PRECEDENT TO PURCHASER'S OBLIGATION TO CLOSE**

The obligation of Purchaser to consummate the transactions herein contemplated is subject to the satisfaction at or before the Closing of the following conditions:

**7.1 Truth of Representations and Warranties.**

The representations and warranties of the Stockholders contained in or made pursuant to this Agreement or the Related Agreements and in any schedule, instrument, certificate, agreement or document delivered pursuant to this Agreement or the Related Agreements shall be true and correct in all material respects on the date hereof and on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, except for representations and warranties made as of a specific date, which shall remain true and correct in all material respects as of such date; and Purchaser shall have received a certificate to the foregoing effect dated the Closing Date signed by the Principal Stockholders. Purchaser, in its sole discretion, shall have the right to waive or defer compliance by the Stockholders at Closing with any representation, warranty or agreement of the Stockholders.

**7.2 Performance of Agreements.**

Each agreement or obligation of the Stockholders to be performed at or before the Closing pursuant to the terms hereof or as contemplated herein shall have been duly performed in all material respects and Purchaser shall have received a certificate to this effect dated the Closing Date and signed by the Stockholders.

**7.3 Consents of Third Parties.**

The Principal Stockholders shall have caused the Company to obtain all consents or waivers required under each of the Contracts set forth on Schedule 4.16 and 4.20 in order to prevent a breach of, a default under, or a termination, cancellation or acceleration of any right, privilege, license or agreement of the Company under any such Contract.

**7.4 No Legal Obstruction.**

Each of the parties hereto shall have obtained all required approvals of any Governmental Authority in connection with the consummation of the transaction provided for hereunder. No action, suit, proceeding, litigation or investigation shall have been commenced by any Governmental Authority which questions the validity or legality of this Agreement or any

action taken or to be taken in connection herewith or the consummation of the transactions contemplated hereby. No injunction or other order issued by a court of competent jurisdiction restraining or prohibiting the consummation of the transactions contemplated by this Agreement shall be in effect.

**7.5 Opinion of the Company's Counsel.**

The Stockholders shall provide to Purchaser an opinion, dated the Closing Date, from Foley & Lardner, counsel to the Principal Stockholders, in substantially the form and substance of the form of opinion set forth in Schedule 7.5.

**7.6 Employment and Non-Competition Agreement.**

Lorand Spyers-Duran shall have entered into an Employment Agreement.

**7.7 Purchase of Real Property.**

The Real Estate Seller shall have performed all of its obligations under the Real Estate Purchase Agreement.

**7.8 Termination of Affiliate Party Agreements.**

Except as otherwise provided on Schedule 4.20, each of the agreements listed on Schedule 4.20 hereof shall have been terminated without the incurrence of any liability by the Company.

**7.9 Delivery of Shares.**

At the Closing the Stockholders shall have delivered all of the certificates for the Shares as provided in Section 2.3.

**7.10 Resignation of Directors and Officers.**

All directors and officers of the Company whose resignations shall have been requested by Purchaser prior to the Closing Date shall have submitted their resignations or been removed from office effective as of the Closing Date.

**7.11 Certain Tax Matters.**

Purchaser shall have received a certificate of each Principal Stockholder, dated the Closing Date and sworn to under penalty of perjury, setting forth the name, address and federal tax identification number of each Principal Stockholder and stating that such Principal Stockholder is not a "foreign person" within the meaning of section 1445 of the Code, such certificate to be in the form set forth in the Treasury Regulations thereunder.

**7.12 Evidence of Satisfaction of Indebtedness.**

The Principal Stockholders shall deliver to the Purchaser evidence that all Indebtedness of the Company for borrowed money and for any other financing of any type or nature, including without limitation lease financing (not including operating leases) and purchase money financing ("Financial Indebtedness"), has been satisfied and terminated as of the Closing Date.

**7.13 Material Adverse Change.**

No event, circumstance, development or change shall have occurred in the Business, operations, properties, condition (financial or otherwise), business prospects, liabilities or relations with labor, customers or suppliers of the company that could reasonably be expected to have a material adverse effect on the Company, the Business, its Assets or the Real Property.

**7.14 Noncompetition and Confidentiality Agreement.**

The Principal Stockholders shall have executed and delivered a Noncompetition Agreement.

**7.14 Letter of Credit.**

The Principal Stockholders shall have delivered the Letter of Credit.

**ARTICLE VIII**

**CONDITIONS PRECEDENT TO THE  
STOCKHOLDERS' OBLIGATION TO CLOSE**

The obligation of the Stockholders to consummate the transactions herein contemplated is subject to the satisfaction at or before the Closing of the following conditions:

**8.1 Truth of Representations and Warranties.**

The representations and warranties of Purchaser contained in or made pursuant to this Agreement and in any schedule, instrument, certificate, agreement or document delivered pursuant to this Agreement or the Related Agreements shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, and the Stockholders shall have received a certificate to this effect dated the Closing Date and signed by Purchaser.

**8.2 Performance of Agreements.**

Each agreement of Purchaser to be performed at or before the Closing pursuant to the terms hereof or as contemplated herein shall have been duly performed in all material respects, unless waived by the Principal Stockholders, and the Principal Stockholders shall have received a certificate to this effect dated the Closing Date and signed by Purchaser.

**8.3 Opinions of Counsel for Purchaser.**

Purchaser shall have furnished the Principal Stockholders with opinions of Moore & Van Allen, PLLC and/or of Purchaser's in-house counsel dated the Closing Date, in substantially the form and substance of the forms of opinion set forth in Schedule 8.3, and otherwise reasonably satisfactory to counsel to the Principal Stockholders.

**8.4 No Legal Obstruction.**

Each of the parties hereto shall have obtained all required approvals of any Governmental Authority in connection with the consummation of the transaction provided for hereunder. No action, suit, proceeding, litigation or investigation shall have been commenced by any Governmental Authority which questions the validity or legality of this Agreement or any action taken or to be taken in connection herewith or the consummation of the transactions contemplated hereby. No injunction or other order issued by a court of competent jurisdiction restraining or prohibiting the consummation of the transactions contemplated by this Agreement shall be in effect.

**8.5 Purchase of Real Property.**

Purchaser shall have performed all of its obligations under the Real Estate Purchase Agreement.

**8.6 Employment and Non-Competition Agreement.**

The Company shall have entered into an Employment Agreement with Lorand Spyers-Duran.

**8.7 Non-Competition and Confidentiality Agreements.**

Purchaser shall have executed and delivered the Non-Competition Agreement with regard to the Principal Stockholders.

## ARTICLE IX

### SURVIVAL AND INDEMNIFICATION

#### 9.1 Survival.

Subject to Section 9.5 hereof, the parties hereto agree that their respective representations and warranties, covenants and agreements contained in this Agreement shall survive the Closing, notwithstanding any investigation at any time by or on behalf of any party hereto, and shall not be considered to be diminished by any such investigation or waived by the consummation of the transactions contemplated hereby with the knowledge by any party of any breach of any such representation, warranty, covenant or agreement.

#### 9.2 Indemnification by Principal Stockholders.

Subject to the other provisions of this Article IX, Principal Stockholders, jointly and severally, shall indemnify and hold harmless Purchaser from and against any and all Losses suffered or incurred following the Closing by Purchaser, the Company or their Affiliates, officers, directors or employees (collectively, the "Purchaser Indemnified Parties"), in each case as a result of or arising out of:

(a) The falsity or incorrectness of, or breach or violation of, any representation or warranty of any Stockholder in this Agreement or Related Agreements or in any schedule or certificate furnished to any Purchaser by or on behalf of any Stockholder pursuant to this Agreement or the Related Agreements;

(b) The failure by any Stockholder to perform any covenant or agreement of such Stockholder under this Agreement or Related Agreements or under any schedule or certificate furnished to Purchaser by or on behalf of such Stockholder pursuant to this Agreement or Related Agreements; and

(c) Any Liability or obligation arising out of or resulting from the ownership of the Shares prior to the Closing.

#### 9.3 Indemnification by Purchaser.

Subject to the other provisions of this Article IX, Purchaser shall indemnify and hold harmless Stockholders from and against any and all Losses suffered or incurred by Stockholders or their officers, directors or employees as a result of or arising out of:



(a) The falsity or incorrectness of, or breach or violation of, any representation or warranty of Purchaser in this Agreement or the Related Agreements or in any schedule or certificate furnished to any Stockholder by or on behalf of Purchaser pursuant to this Agreement or the Related Agreements; or

(b) The failure by Purchaser to perform any covenant or agreement of the Purchaser under this Agreement or the Related Agreements or under any schedule or certificate furnished to any Stockholder by or on behalf of the Purchaser pursuant to this Agreement or the Related Agreements.

#### 9.4 Method of Asserting Claims.

All claims for indemnification by any Indemnified Party under this Article IX shall be asserted and resolved as follows:

(a) Third Party Claims. If any claim or demand in respect of which an Indemnified Party might seek indemnity under this Article IX is asserted against such Indemnified Party by a Person (a "Third Party Claim") other than any Stockholder or Purchaser, the Indemnified Party shall give prompt written notice and the details thereof including copies of all relevant pleadings, documents and information and, if then known, the amount or the method of computation of the amount of such claim (collectively, a "Third Party Claim Notice") to the Indemnifying Party. The failure by the Indemnified Party to provide prompt written notice shall not impair the Indemnified Party's rights hereunder except to the extent that the Indemnifying Party demonstrates that the Indemnifying Party's ability to defend has been materially prejudiced by such failure of the Indemnified Party. The Indemnifying Party will notify the Indemnified Party within a period of twenty (20) days after the receipt of the Third Party Claim Notice by the Indemnifying Party (the "Third Party Claim Response Period");

(i) that the Indemnifying Party disputes its liability (or the amount thereof) to the Indemnified Party under this Article IX with respect to such Third Party Claim; or

(ii) that the Indemnifying Party does not dispute and accepts its liability to the Indemnified Party under this Article IX with respect to such Third Party Claim, and either (A) that the Indemnifying Party desires, at its sole cost and expense, to defend the Indemnified Party against such Third Party Claim, or (B) that the Indemnifying Party does not desire to undertake such defense.

If the Indemnifying Party provides the notice described in Section 9.4(a)(ii)(A) above to the Indemnified Party within the Third Party Claim Response Period, then the Indemnifying Party at its sole cost and expense shall defend, with counsel reasonably satisfactory to the Indemnified Party, such Third Party Claim by all appropriate

proceedings, which proceedings will be prosecuted in a reasonably diligent manner and in good faith to a final conclusion or will be settled at the discretion and sole expense of the Indemnifying Party (with the consent of the Indemnified Party which, in the case of a monetary settlement only, shall not be unreasonably withheld or delayed and, in the case of all other settlements, may be withheld in the discretion of the Indemnified Party). The Indemnified Party will cooperate in such defense at the sole cost and expense of the Indemnifying Party and shall furnish records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnifying Party in connection therewith. The Indemnified Party may, at its sole cost and expense, at any time prior to the Indemnifying Party's delivery of the notice referred to in the last sentence of the preceding paragraph, file any pleadings or take any other action that the Indemnified Party reasonably believes to be necessary or appropriate to protect its interests. The Indemnified Party, at its expense, may participate in, but not control, any defense or settlement of any Third Party Claim conducted by the Indemnifying Party pursuant to this Section 9.4(a).

If the Indemnifying Party does not provide the notice described in Section 9.4(a)(ii)(A) above to the Indemnified Party within the Third Party Claim Response Period or if the Indemnifying Party gives such notice but fails to prosecute in a reasonably diligent manner and in good faith or settle the Third Party Claim, then the Indemnified Party shall defend, at the sole cost and expense of the Indemnifying Party, the Third Party Claim by all appropriate proceedings, which proceedings will be prosecuted by the Indemnified Party in a reasonable manner and in good faith or will be settled at the discretion of the Indemnified Party. The Indemnifying Party shall, at its sole cost and expense, cooperate in such defense and shall furnish records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnified Party in connection therewith. Notwithstanding the foregoing provisions of this paragraph, if the Indemnifying Party is determined not to be required to indemnify for such Third Party Claim pursuant to the last paragraph of this Section 9.4(a), the Indemnifying Party will not be required to bear the costs and expenses of the Indemnified Party's defense or the Indemnifying Party's participation therein pursuant to this paragraph, and the Indemnified Party will reimburse the Indemnifying Party in full for all reasonable costs and expenses incurred by the Indemnifying Party in connection with such defense.

If the Indemnifying Party provides the notice described in Section 9.4(a)(ii)(A) or (B) above to the Indemnified Party within the Third Party Claim Response Period or if the Indemnifying Party fails to provide the notice required by Section 9.4(a)(i) or (ii) within the Third Party Claim Response Period, the Losses of the Indemnified Party as finally determined will be conclusively deemed a liability of the Indemnifying Party under this Article IX, and the Indemnifying Party shall promptly upon written demand pay the amount of such Losses to the Indemnified Party. If the Indemnifying Party provides the notice described in Section 9.4(a)(i) to the Indemnified Party within the

Third Party Claim Response Period, then the Indemnifying Party and the Indemnified Party will proceed in good faith to resolve such dispute as quickly as possible. If the Indemnifying Party is determined to be liable for the Losses of the Indemnified Party relating to such claim under this Article IX, the Indemnifying Party shall promptly upon written demand pay the amount of such Losses to the Indemnified Party.

(b) Other Claims. In the event any Indemnified Party should have a claim under this Article IX against any Indemnifying Party that does not involve a Third Party Claim, the Indemnified Party shall give prompt written notice and the details thereof, including copies of all relevant information and documents and, if then known, the amount or method of computation of the amount of such claim (collectively, an "Indemnity Notice") to the Indemnifying Party. The failure by any Indemnified Party to give prompt written notice shall not impair the Indemnified Party's rights hereunder except to the extent that the Indemnifying Party demonstrates that it has been prejudiced thereby. The Indemnifying Party shall notify the Indemnified Party within a period of twenty (20) days after the receipt of the Indemnity Notice by the Indemnifying Party (the "Indemnity Response Period") whether or not the Indemnifying Party disputes its liability to the Indemnified Party under this Article IX with respect to such claim. If the Indemnifying Party notifies the Indemnified Party that the Indemnifying Party does not dispute its liability for the claim described in such Indemnity Notice or fails to notify the Indemnified Party within the Indemnity Response Period whether or not the Indemnifying Party disputes its liability for the claim described in such Indemnity Notice, the Losses of the Indemnified Party as finally determined will be conclusively deemed to be a liability of the Indemnifying Party under this Article IX and the Indemnifying Party shall promptly upon written demand pay the amount of such Losses to the Indemnified Party. If the Indemnifying Party notifies the Indemnified Party within the Indemnity Response Period that the Indemnifying Party disputes its liability with respect to such claim, the Indemnifying Party and the Indemnified Party shall proceed in good faith to resolve such dispute as quickly as possible. If the Indemnifying Party is determined to be liable for the Losses of the Indemnified Party relating to such claim under this Article IX, the Indemnifying Party shall pay the amount of such Losses to the Indemnified Party promptly upon written demand.

#### **9.5 Limitations on Indemnification.**

(a) Time Limitation. No claim or action shall be brought under Section 9.2(a) hereof for breach of a representation or warranty after the lapse of two years following the Closing Date. Regardless of the foregoing, however, or any other provision of this Agreement:

(i) There shall be no time limitation on claims or actions brought for breach of any representation or warranty made in or pursuant to Sections 4.1(a), or 4.4.

(ii) Any claim made by a party hereunder by providing the Indemnifying Party with reasonably detailed written notice describing the claim prior to the termination of the survival period for such claim shall be preserved despite the subsequent termination of such survival period.

(iii) If any act, omission, disclosure or failure to disclosure shall form the basis for a claim for breach of more than one representation or warranty, and such claims have different periods of survival hereunder, the termination of the survival period of one claim shall not affect a party's right to make a claim based on the breach of representation or warranty still surviving.

(iv) Any claim or action brought for breach of any representation or warranty made in or pursuant to Section 4.11 may be brought at any time until the underlying tax obligation is barred by the applicable period of limitation under federal and state laws relating thereto.

(v) Any claim pursuant to Section 4.22 may be brought at any time within five (5) years from the Closing Date.

(b) Amount Limitation. No amount of indemnity shall be payable in the case of a claim by the Purchaser under Section 9.2(a) hereof unless and until the Purchaser has suffered, incurred, sustained or otherwise become subject to Losses that, in the aggregate, exceed Three Hundred Fifty Thousand Dollars (\$350,000) ("Purchaser's Deductible") whereupon the Purchaser shall be entitled to claim indemnification for the amount in excess of the Purchaser's Deductible; provided that in no event shall the aggregate Liability of Principal Stockholders under Section 9.2(a) exceed Five Million Dollars (\$5,000,000).

#### **9.6 Exclusive Remedies.**

The remedies provided in this Article IX constitute the sole and exclusive remedies available to each party hereto for recoveries against another party hereto for breaches or failures to comply with or non-fulfillments of the representations, warranties, covenants and agreements in this Agreement or in any schedule or certificate furnished to any party by any other party pursuant to this Agreement, except that nothing in this Agreement shall limit the right of any party to pursue any appropriate remedy at equity (including, without limitation, specific performance pursuant to Section 9.7 hereof).

#### **9.7 Specific Performance.**

Each party hereto acknowledges that the rights of the other parties to consummate the transactions contemplated by this Agreement are special, unique and of extraordinary character and that, in the event that a party violates or fails and refuses to perform any covenant or agreement made by it in this Agreement, then the other parties may be without an adequate

remedy at law. Each party agrees, therefore, that, in the event it violates or fails and refuses to perform any covenant or agreement made by it in this Agreement, any other party may, in addition to any remedies under Article IX of this Agreement for damages or other relief, institute and prosecute an action in any court of competent jurisdiction to enforce specific performance of such covenant or agreement or seek any other equitable relief.

#### **9.8 Price Adjustments.**

Any payment made pursuant to this Article IX hereof shall be treated as purchase price adjustments for the Shares with respect to which the payment relates.

#### **9.9 Indemnification Calculations.**

(a) The amount of any Losses for which indemnification is provided under this Article IX shall be computed net of any insurance proceeds received by the Indemnified Party in connection with such Losses. If the amount with respect to which any claim is made under this Article IX (an "Indemnity Claim") gives rise to a currently realizable Tax Benefit (as defined below) to the party making the claim, the indemnity payment shall be reduced by the amount of the Tax Benefit available to the party making the claim. To the extent such Indemnity Claim does not give rise to a currently realizable Tax Benefit, if the amount with respect to which any Indemnity Claim is made gives rise to a subsequently realized Tax Benefit to the party that made the claim, such party shall refund to the Indemnifying Party the amount of such Tax Benefit when, as and if realized. For the purposes of this Agreement, any subsequently realized Tax Benefit shall be treated as though it were a reduction in the amount of the initial Indemnity Claim, and the liabilities of the parties shall be redetermined as though both occurred at or prior to the time of the indemnity payment. For purposes of this Agreement, a "Tax Benefit" means an amount by which the tax liability of the party (or group of corporations including the party) is reduced (including, without limitation, by deduction, reduction of income by virtue of increased tax basis or otherwise, entitlement to refund, credit or otherwise) plus any related interest received from the relevant taxing authority. Where a party has other losses, deductions, credits or items available to it, the Tax Benefit from any losses, deductions, credits or items relating to the Indemnity Claim shall be deemed to be realized proportionately with any other losses, deductions, credits or items. For the purposes of this Section 9.9, a Tax Benefit is "currently realizable" to the extent it can be reasonably anticipated that such Tax Benefit will be realized in the current taxable period or year or in any tax return with respect thereto (including through a carryback to a prior taxable period) or in any taxable period or year prior to the date of the Indemnifying Claim. In the event that there should be a determination disallowing the Tax Benefit, the Indemnifying Party shall be liable to refund to the Indemnified Party the amount of any related reduction previously allowed or payments previously made to the Indemnifying Party pursuant to this Section 9.9. The amount of the refunded reduction or payment shall be deemed a payment under this Article IX and thus shall be paid subject to any

applicable reductions under this Section 9.9. The parties hereto agree that the Indemnified Party shall reasonably determine whether any Tax Benefits so exist, which determination may be reviewed by the Indemnifying Party.

(b) Purchaser shall promptly pay to Stockholders any refund or credit of Taxes (including any interest paid or credited with respect thereto) received by Company relating to any pre-closing Tax period. Purchaser shall, if Principal Stockholders reasonably so request, cause Company (or other relevant entity) to file for any refund or credit to which Principal Stockholders believe it is entitled under this Article IX.

## **ARTICLE X**

### **TERMINATION**

#### **10.1 Grounds for Termination.**

This Agreement may be terminated and the Closing abandoned at any time prior to the Closing:

- (a) by mutual agreement of Purchaser and Principal Stockholders;
- (b) by Principal Stockholders, if Principal Stockholders are not in breach in any material respect of any of their representations, warranties, covenants or agreements in this Agreement and if the Closing has not occurred on or prior to February 28, 1999, by providing written notice of such termination to Purchaser;
- (c) by Purchaser, if Purchaser is not in breach in any material respect of any of its representations, warranties, covenants or agreements in this Agreement and if the Closing has not occurred on or prior to February 28, 1999, by providing written notice of such termination to Principal Stockholders;
- (d) by Purchaser if a material breach of any provision of this Agreement or the Related Agreements has been committed by any Principal Stockholder and such breach has not been waived or has not been cured within ten (10) Business Days following the date notice thereof was given to the breaching party;
- (e) by Principal Stockholders if a material breach of any provision of this Agreement or the Related Agreements has been committed by Purchaser and such breach has not been waived or has not been cured within ten (10) Business Days following the date notice thereof was given to the breaching party; or
- (b) by Purchaser if Purchaser has terminated the Real Estate Purchase Agreement in accordance with its terms.

## **10.2 Effect of Termination.**

Unless this Agreement is terminated by agreement of the parties hereto pursuant to Section 10.1(a) hereof, Principal Stockholders and Purchaser, respectively, shall continue to have liability pursuant to the terms of this Agreement, following the termination hereof pursuant to Section 10.1(b), (c), (d) or (e), with respect to any breach or nonperformance by them of any representation, warranty, covenant or agreement contained in this Agreement which occurs prior to the termination of this Agreement. Without limiting the generality of the immediately preceding sentence and notwithstanding anything herein to the contrary, the obligations of the parties under Section 6.3 hereof and Section 6.9 hereof shall survive the termination of this Agreement.

## **ARTICLE XI**

### **MISCELLANEOUS**

#### **11.1 Notices.**

Any notice or other communication required or permitted to be given under this Agreement shall be sufficiently given if sent by express, certified or registered mail, postage prepaid, or by an independent next business day delivery service, or by telefax, addressed as follows:

If to the Principal Stockholders or the Real Property Seller, addressed to:

Mr. Lorand Spyers-Duran  
N68 W29690 Hartling Road  
Hartland, Wisconsin 53029  
Fax: 414-246-8423

Mr. Walter Nathan  
RTC Industries, Inc.  
2800 Golf Road  
Rolling Meadows, Illinois 60008  
Fax: 847-640-2688

With a copy to:

Phillip J. Hanrahan  
Foley & Lardner  
777 East Wisconsin Avenue  
Milwaukee, Wisconsin 53202  
Fax: 414-297-4900

If to Purchaser, addressed to:

Frank C. Brown, President  
Rexam, Inc.  
4201 Congress Street, Suite 340  
Charlotte, North Carolina 28209  
Fax: 704-551-1572

With a copy to:

Hal Levinson, Esq.  
Moore & Van Allen, PLLC  
NationsBank Corporate Center  
100 N. Tryon Street, Floor 47  
Charlotte, North Carolina 28202  
Fax: 704-331-1159

or to such other address(es) as any of the Principal Stockholders or Purchaser shall give notice to the other by like means. Any such notice or communication shall be deemed to have been given as of the date so mailed, delivered to the delivery service or of telefax confirmation.

**11.2 Parties in Interest.**

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors, assigns, heirs and legal representatives.

**11.3 No Third Party Beneficiaries.**

Except as provided in Article IX with respect to the indemnification of the Purchaser Indemnitees and the Stockholder Indemnitees hereunder, nothing in this Agreement shall confer any rights upon any person or entity other than the parties hereto and their respective heirs, successors and permitted assigns.

**11.4 Exclusivity.**

Prior to (i) the Closing or (ii) any termination of this Agreement in accordance with Article IX hereof, the Stockholders agree that they will (and will cause the Company to) deal exclusively with Purchaser in respect of the matters referred to in this Agreement and they will not, and will not allow the Company to, entertain, solicit, consider or otherwise encourage any offer from any other person or entity for, or enter into any agreement with any other person or entity with respect to, the direct or indirect sale, merger, consolidation, reorganization, acquisition, encumbrance, lease, transfer or conveyance of the Company or the Business or any



of the capital stock or assets of the Company (other than as otherwise expressed permitted by this Agreement) and that they will terminate (and will cause the Company to terminate) any pending negotiations or agreements with any third party with respect to the transactions described in the foregoing sentence.

#### **11.5 Governing Law.**

This Agreement shall be governed in all respects, including as to validity, interpretations and effect, by the internal laws of the state of Wisconsin, without giving effect to the conflict of laws rules thereof.

#### **11.6 Assignment.**

This Agreement shall not be assignable or otherwise transferable by any party hereto without the prior written consent of the other parties hereto, and any purported assignment or other transfer without such consent shall be void and unenforceable; provided, that Purchaser may assign this Agreement to any of its Affiliates, provided, that Purchaser shall remain obligated under this Agreement.

#### **11.7 Amendment; Waivers, etc.**

No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by the party against whom enforcement of the amendment, modification, discharge or waiver is sought. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the party granting such waiver in any other respect or at any other time. Neither the waiver by any of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure by any of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder. The rights and remedies herein provided are cumulative and none is exclusive of any other, or of any rights or remedies that any party may otherwise have at law or in equity. The rights and remedies of any party based upon, arising out of or otherwise in respect of any inaccuracy or breach of any representation, warranty, covenant or agreement or failure to fulfill any condition shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any claim of any such inaccuracy or breach is based may also be the subject matter of any other representation, warranty, covenant or agreement as to which there is no inaccuracy or breach. The representations and warranties of the Stockholders shall not be affected or deemed waived by reason of any investigation made by or on behalf of Purchaser (including but not limited to by any of its advisors, consultants or representatives) or by reason of the fact that Purchaser or any of such advisors, consultants or representatives know or should have known that any such representation or warranty is or might be inaccurate.

**11.8 Further Assurances.**

From time to time after the Closing Date and at the expense of the Principal Stockholders and without further consideration, the Principal Stockholders, upon the request of Purchaser, will execute and deliver such instruments and documents as Purchaser reasonably may request in order to carry out the purposes and intent of this Agreement.

**11.9 Severability.**

If any provision, including any phrase, sentence, clause, section or subsection, of this Agreement is invalid, inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering such provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

**11.10 Headings.**

The headings contained in this Agreement are for purposes of convenience only and shall not affect the meaning or interpretation of this Agreement.

**11.11 Disclosures and Announcements.**

Both the timing and the content of all disclosures to third parties and public announcements concerning the transactions provided for in this Agreement by either Purchaser, Company or Stockholders shall be subject to the approval of Purchaser and the Principal Stockholders, as the case may be, in all essential respects.

**11.12 Additional Stockholders' Agent; Power of Attorney.**

(a) The Additional Stockholders hereby appoint and constitute Walter Nathan as the Additional Stockholders' Agent hereunder, to exercise the powers on behalf of the Additional Stockholders set forth in this Agreement; and Walter Nathan hereby accepts such appointment.

(b) Each Additional Stockholder, by his or her execution of this Agreement, hereby constitutes and appoints the Additional Stockholders' Agent his or her true and lawful attorney-in-fact, with full power in his or her name and on his or her behalf

(i) to receive on behalf of such Additional Stockholder the proceeds of sale of such Additional Stockholder's Shares being exchanged hereunder, to give Purchaser a receipt therefor on behalf of such Additional Stockholder and to hold such proceeds subject to the terms hereof and the instructions of such Additional Stockholder with respect to the ultimate disbursement thereof.

(ii) to act on such Additional Stockholder's behalf according to the terms of this Agreement, all in the absolute discretion of the Additional Stockholders' Agent;

(iii) in general, to do all things and to perform all acts, including without limitation, executing and delivering all agreements, certificates, receipts, instructions and other instruments contemplated by or deemed advisable in connection with this Agreement, including the execution and delivery on behalf of such Additional Stockholder of any and all amendments to this Agreement.

This power of attorney, and all authority hereby conferred, is granted subject to the interests of the other Stockholders and Purchaser hereunder and in consideration of the mutual covenants and agreements made herein, and shall be irrevocable and shall not be terminated by any act of any Additional Stockholder or by operation of law, whether by the death or incapacity of any Additional Stockholder or by the occurrence of any other event. Each Additional Stockholder agrees, jointly and severally, to hold the Additional Shareholders' Agent free and harmless from any and all loss, damage or liability which they, or any one of them, may sustain as a result of any action taken in good faith hereunder.

**11.13 Entire Agreement.**

The Schedules hereto are hereby incorporated in and form an integral part of this Agreement. All understandings and agreements between the parties are merged into this Agreement, which fully and completely expresses their agreement and supersedes any prior agreement or understanding relating to the subject matter hereof, including the letter of intent among the parties, dated as of September 16, 1998.

**11.14 Counterparts.**

This Agreement may be executed in several counterparts, all of which taken together shall constitute one instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

**PRINCIPAL STOCKHOLDERS:**

  
\_\_\_\_\_  
Lorand Spyers-Duran

\_\_\_\_\_  
Walter Nathan

**PURCHASER:**

REXAM COSMETIC PACKAGING, INC.

By: \_\_\_\_\_  
Name:  
Title:

**ADDITIONAL STOCKHOLDERS:**

\_\_\_\_\_  
Susan M. Sholl, as Custodian for Benjamin  
Sholl under Illinois UTMA

\_\_\_\_\_  
Susan M. Sholl, as Custodian for Mollie  
Sholl under Illinois UTMA

\_\_\_\_\_  
Susan M. Sholl, as Custodian for Henry  
Sholl under Illinois UTMA

\_\_\_\_\_  
Nina Schroeder, as Custodian for John  
Schroeder under Illinois UTMA

\_\_\_\_\_  
Nina Schroeder, as Custodian for William  
Schroeder under Illinois UTMA

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

**PRINCIPAL STOCKHOLDERS:**

\_\_\_\_\_  
Lorand Spyers-Duran

\_\_\_\_\_  
*Walter Nathan*  
Walter Nathan

**PURCHASER:**

**REXAM COSMETIC PACKAGING, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**ADDITIONAL STOCKHOLDERS:**

\_\_\_\_\_  
Susan M. Sholl, as Custodian for Benjamin  
Sholl under Illinois UTMA

\_\_\_\_\_  
Susan M. Sholl, as Custodian for Mollie  
Sholl under Illinois UTMA

\_\_\_\_\_  
Susan M. Sholl, as Custodian for Henry  
Sholl under Illinois UTMA

\_\_\_\_\_  
Nina Schroeder, as Custodian for John  
Schroeder under Illinois UTMA

\_\_\_\_\_  
Nina Schroeder, as Custodian for William  
Schroeder under Illinois UTMA

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**IN WITNESS WHEREOF**, the parties have caused this Agreement to be duly executed as of the day and year first above written.


**PRINCIPAL STOCKHOLDERS:**

Lorand Spyers-Duran

Walter Nathan

**PURCHASER:**

REXAM COSMETIC PACKAGING INC.

By:   
Name: Frank C. Brown  
Title: Vice President

**ADDITIONAL STOCKHOLDERS:**

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Susan M. Sholl, as Custodian for Benjamin Sholl under Illinois UTMA

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Susan M. Sholl, as Custodian for Mollie Sholl under Illinois UTMA

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Susan M. Sholl as Custodian for Henry Sholl under Illinois UTMA

---

Nina Schroeder, as Custodian for John Schroeder under Illinois UTMA

---

Nina Schroeder, as Custodian for William Schroeder under Illinois UTMA

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

**PRINCIPAL STOCKHOLDERS:**

\_\_\_\_\_  
Lorand Spyers-Duran

\_\_\_\_\_  
Walter Nathan

**PURCHASER:**

REXAM COSMETIC PACKAGING, INC.

By: \_\_\_\_\_

Name:

Title:

**ADDITIONAL STOCKHOLDERS:**

\_\_\_\_\_  
*Susan M. Sholl*

Susan M. Sholl, as Custodian for Benjamin Sholl under Illinois UTMA

\_\_\_\_\_  
*Susan M. Sholl*

Susan M. Sholl, as Custodian for Mollie Sholl under Illinois UTMA

\_\_\_\_\_  
*Susan M. Sholl*

Susan M. Sholl, as Custodian for Henry Sholl under Illinois UTMA

\_\_\_\_\_  
Nina Schroeder, as Custodian for John Schroeder under Illinois UTMA

\_\_\_\_\_  
Nina Schroeder, as Custodian for William Schroeder under Illinois UTMA

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the day and year first above written.

**PRINCIPAL STOCKHOLDERS:**

\_\_\_\_\_  
Lorand Spyers-Duran

\_\_\_\_\_  
Walter Nathan

**PURCHASER:**

**REXAM COSMETIC PACKAGING, INC.**

By: \_\_\_\_\_

Name:

Title:

**ADDITIONAL STOCKHOLDERS:**

\_\_\_\_\_  
Susan M. Sholl, as Custodian for Benjamin  
Sholl under Illinois UTMA

\_\_\_\_\_  
Susan M. Sholl, as Custodian for Mollie  
Sholl under Illinois UTMA

\_\_\_\_\_  
Susan M. Sholl, as Custodian for Henry  
Sholl under Illinois UTMA

Nina Schroeder  
\_\_\_\_\_  
Nina Schroeder, as Custodian for John  
Schroeder under Illinois UTMA

Nina Schroeder  
\_\_\_\_\_  
Nina Schroeder, as Custodian for William  
Schroeder under Illinois UTMA





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Nina Schroeder, as Custodian for Peter  
Schroeder under Illinois UTMA

---

Richard Nathan, as Custodian for Andrew  
J. Nathan under Illinois UTMA

---

Richard Nathan, as Custodian for Thomas  
Nathan under Illinois UTMA

---

Richard Nathan, as Custodian for William  
Nathan under Illinois UTMA

---

Susan M. Sholl

---

Betsy Nathan

Nina Schroeder, as Custodian for Peter  
Schroeder under Illinois UTMA

Richard Nathan

Richard Nathan, as Custodian for Andrew  
J. Nathan under Illinois UTMA

Richard Nathan

Richard Nathan, as Custodian for Thomas  
Nathan under Illinois UTMA

Richard Nathan

Richard Nathan, as Custodian for William  
Nathan under Illinois UTMA

Susan M. Sholl

Betsy Nathan

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NO. 5222 003/003

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Nina Schroeder, as Custodian for Peter  
Schroeder under Illinois UTMA

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Richard Nathan, as Custodian for Andrew  
J. Nathan under Illinois UTMA

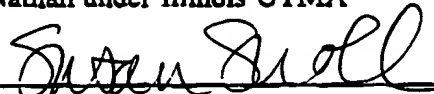
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Richard Nathan, as Custodian for Thomas  
Nathan under Illinois UTMA

---

Richard Nathan, as Custodian for William  
Nathan under Illinois UTMA

---

  
Susan M. Sholl

---

Betsy Nathan

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Nina Schroeder, as Custodian for Peter  
Schroeder under Illinois UTMA

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Richard Nathan, as Custodian for Andrew  
J. Nathan under Illinois UTMA

---

Richard Nathan, as Custodian for Thomas  
Nathan under Illinois UTMA

---

Richard Nathan, as Custodian for William  
Nathan under Illinois UTMA

---

Susan M. Sholl

*Betsy Nathan*

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Betsy Nathan